Daily Bulletin

August 31, 2026

Arabian Drilling secures five-year SAR 3 bn contract with SLB

Last Price: SAR 97.1 | YoY Performance: 25.0% | Consensus Target Price: SAR 95.9

Arabian Drilling Co. (ARABIAN DRILLING) has signed a five-year contract with the SLB Schlumberger Middle East for the provision of 11 land rigs for Gas LSTK operations, the same incumbent units under the companies' previous Gas LSTK project. The contract is valued at SAR 3.0 bn. Over the five-year term, this implies roughly SAR 600 mn per year, or about 17.6% of 2025 revenue (SAR 3.4 bn). The financial impact is expected to reflect on the company's financials from 3Q26.

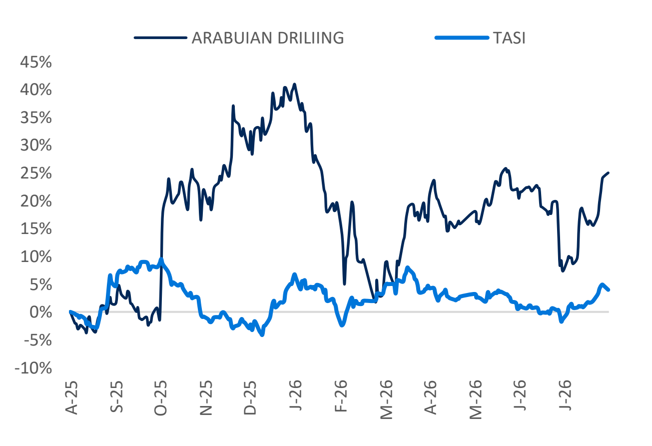
The contract is expected to contribute under the drilling segment. Based on the contract's estimated annual revenue contribution of SAR 600 mn, equivalent to 23.3% of 2025 drilling segment revenue of SAR 2.5 bn. The company reported a net loss in 2025, we conservatively estimate the contract's profitability impact using its 2025 operating margin of 4.9%. Based on the contract's estimated annual revenue contribution of SAR 600 mn, this implies potential annual operating profit of around SAR 30.0 mn. Management expects revenue recognition to commence in 3Q26, with approximately SAR 15.0 mn of operating profit potentially generated in 2H26.

The company's recent earnings have been under pressure swung from a SAR 321.4 mn profit in 2024 to a SAR 75.2 mn net loss in 2025, and the loss continued into 1H26, widening slightly to SAR 24.5 mn. The pressure was largely tied to the temporary suspension of a number of offshore rigs in the Arabian Gulf, which began in March 2026 amid the regional political situation and weighed on offshore utilization and earnings through most of 1H26. Operations have resumed, with the remaining suspended rigs cleared to return to service in early August 2026, and management guiding to offshore utilization back at 100% by the end of 3Q26.

Arabian Drilling operates a total available fleet of 60 rigs including 49 land rigs, 9 offshore rigs, and 2 SESVs though only 43 were active as of 2Q26, with utilization falling to 71.7%, the lowest level in recent years, as offshore suspensions took 6 rigs offline. The backlog stood at SAR 11.8 bn, up 7% YoY, with an average remaining contract tenure of 3.3 years and a strong 3.6x book-to-bill ratio. The offshore segment bore the impact as revenue share fell from 33% to 22% QoQ.

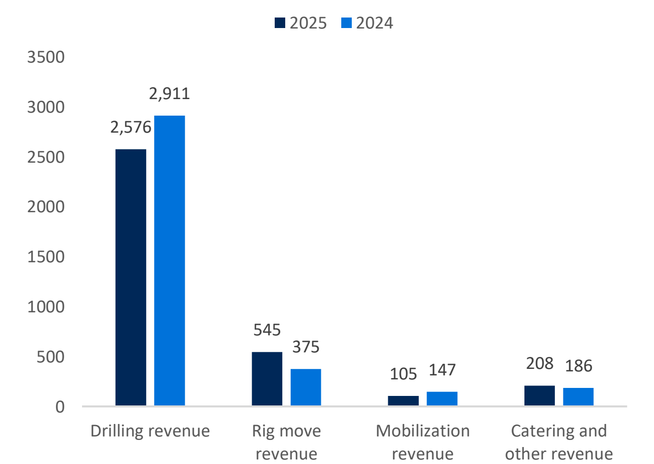
Arabian Drilling has gained 25.0% YoY, outperforming the TASI, which increased 4.0% YoY. The stock has a consensus target price of SAR 95.9/share, implying 1.2% downside from the last closing price of SAR 97.1/sh.

Relative price chart



Source: Tadawul, anbc research

Segment wise revenue (SAR mn)



Source: Company financials, Tadawul, anbc research

Disclaimer:

This report has been prepared on the basis of information believed to be reliable, but anb capital makes no guarantee, representation or warranty, express or implied, as to the accuracy, correctness or completeness of such information, nor do they accept any responsibility for loss or damage arising in any way (including by negligence) from errors in, or omissions from the information.

This report has been prepared by anb capital for information purposes only and is not and does not form part of nor should be considered advice, recommendation, offer for sale or solicitation of any offer to subscribe for, purchase or sell any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever, and any views or opinions expressed herein are subject to change without notice.

This report and information contained herein, are provided for informational purpose only and does not take into consideration any investment objective, financial situation or particular needs of any recipient and are not designed with the objective of providing information to any particular recipient and only provides general information.