

Daily Bulletin

August 18, 2025

- > *Arabian Drilling renews 11 gas rig contracts with Schlumberger (SLB) for 1 year.*
- > *Saudi Annual Inflation Eases to 2.1% in July, Lowest Since February*

Arabian Drilling renews 11 gas rig contracts with Schlumberger (SLB) for 1 year.

Arabian Drilling Company announced the extension of its contracts with SLB for 11 onshore gas drilling rigs for an additional one-year term. All rigs are currently in operation, and Arabian Drilling will continue to provide drilling services under a Lumpsum Turnkey (LSTK) contract.

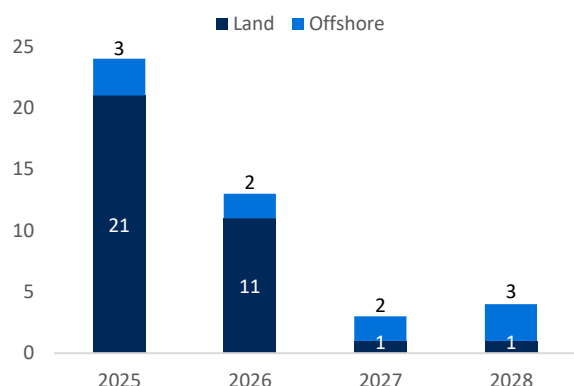
The contract extension is expected to contribute approximately 15-20% of the company's 2024 revenues, equivalent to SAR 542.4 mn to SAR 723.8 mn (based on revenue of SAR 3.6 bn reported in 2024). The financial impact will be reflected starting from 3Q25.

As of January 1, 2025, Arabian Drilling had 24 rigs scheduled for contract renewal during the year. With this contract extension, the company has successfully renewed 22 rig contracts, while 2 contracts remain pending for renewal. The company is also expecting 13 rig contract renewals in 2026.

Arabian Drilling is trading at SAR 74.7/sh, down 37% YoY, substantially underperforming TASI's 9% decline over the same period. Notably, the company's profitability fell 47% in 2024 and declined 50% in 1H25, driven by Aramco suspensions, rigs going off-contract, and higher finance and depreciation costs. Rig utilization stood at 78.7% in 1H25 versus 90.6% in 1H24, with 48 active rigs (40 land, 8 offshore) out of a 61-rig fleet, while three additional Aramco rigs were suspended in 2Q25. However, the company recorded its largest backlog intake since 2023 in 2Q25, with backlog rising 16% QoQ from SAR 9.5 bn to 11.1 bn.

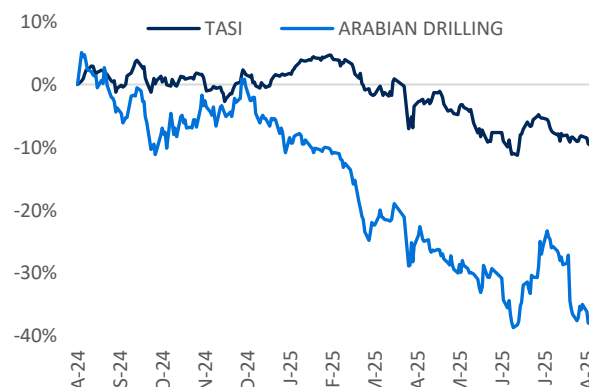
The stock is currently trading at a 2025e P/E of 41.3x, with a consensus target price of SAR 88.5/sh, providing a potential upside of 18%.

Expected rig contract renewals



Source: Earnings Presentation, anbc research

Relative price chart



Source: Bloomberg, anbc research

Saudi Annual Inflation Eases to 2.1% in July, Lowest Since February

Saudi Arabia's annual inflation rate slowed to 2.1% in July 2025, compared to 2.3% in June, according to GASTAT.

The main driver of inflation was the housing, water, electricity, gas, and fuels category, which rose 5.6% YoY, led by a 6.6% increase in rents, including a 6.4% rise in villa rental prices. This category accounts for 25.5% of the CPI basket. However, inflation in this segment has eased from a peak of 9.6% YoY in October 2024, when housing rents had increased by 11.6% YoY.

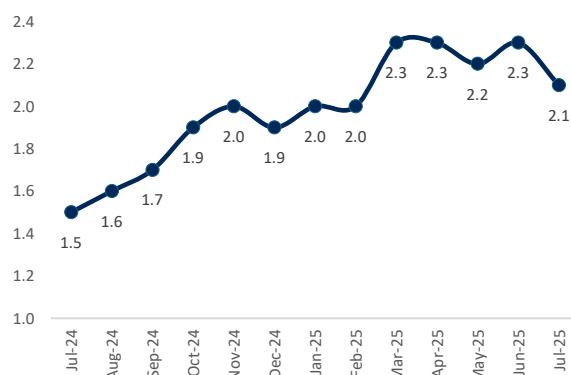
Food and beverages increased by 1.6%, supported by a 2.6% rise in meat and poultry prices. Miscellaneous personal goods and services rose 4.3%, driven by a sharp 24.7% jump in jewelry, watches, and antiques. Restaurants and hotels gained 1.4%, while education was up 1.1% due to higher tertiary education fees.

Meanwhile, several categories recorded price declines. Furnishings and household equipment fell 2.0% on the back of a 3.9% drop in furniture, carpets, and flooring. Clothing and footwear slipped 0.4% as garment prices dropped 1.3%. Transportation costs eased 0.3%, driven by a 1.6% decline in vehicle purchase prices.

On a monthly basis, the CPI remained unchanged in July compared to June. Stability in transportation, restaurants and hotels, clothing and footwear, health, telecom, and tobacco offset price increases in housing and entertainment (both up 0.2%). Food and beverages, furnishings, miscellaneous personal goods, and education each recorded marginal declines.

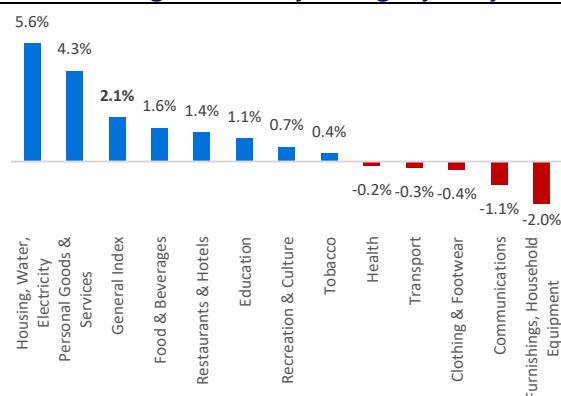
Looking ahead, headline CPI inflation is expected to remain stable around the 2.0% mark in the medium term, according to IMF forecasts. Energy inflation is likely to stay contained under the current fuel price cap, while easing global food prices are expected to keep food inflation pressures in check. Housing-related costs, which have been the main driver of recent inflation, are also expected to continue to soften, supporting the overall downward trend.

CPI (YoY%)



Source: GASTAT, anb research

Annual change in CPI by category (July 2025)



Source: GASTAT, anb research

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