Daily Bulletin

October 5, 2025

Arabian Drilling to vote on 2025 dividend freeze; Consensus stays Overweight

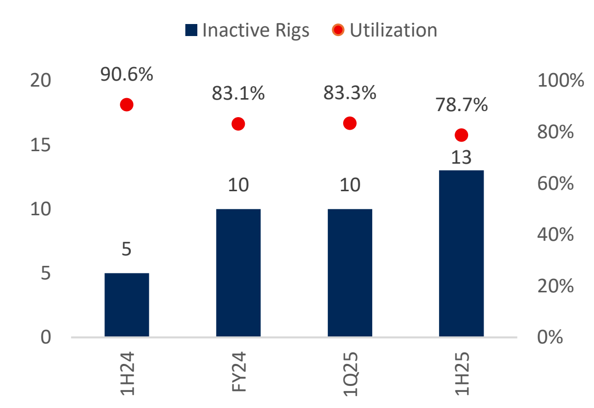
Arabian Drilling Co.'s board, on July 29, 2025, recommended suspending dividend payments for 2025, citing weaker rig demand, the need to meet its capex requirements, and planned regional expansion. The proposal will be voted on by shareholders at the extraordinary general meeting scheduled for Oct 22, 2025. We note that the company has historically maintained a dividend payout ratio of approximately 75% over the past two years, while the current trailing 12M dividend yield stands at 1.7%.

Other agenda items include voting on the early termination of the current board term, which commenced on Nov 1, 2021, and was scheduled to end on Nov 2, 2026. If approved, the new four-year term will run from Nov 2, 2025, to Nov 1, 2029. Shareholders will also vote on the transfer of the statutory reserve balance of SAR 267 mn to retained earnings. The board's recommendation for a dividend freeze aligns with its previously announced plans earlier this year to reprioritize cash flows toward fleet investment and regional growth opportunities. We highlight the company has guided towards a capex of SAR 800-850 mn for the year. Notably, capex decreased by 47% YoY in 1H25 to SAR 486 mn.

We point out that rig utilization declined from 90.6% in 1H24 to 78.7% in 1H25, while inactive rigs increased to 13 in 1H25 from 5 in 1H24, with a further 3 Aramco rigs suspended during 2Q25. The company now has 48 active rigs out of a fleet of 61, which includes 40 land rigs and 8 offshore. Land rigs contributed 72% of revenue in 1H25, up from 54% in 1H24, while offshore rigs declined to 28% from 46% over the same period. In total, 8 rigs are currently suspended and 5 rigs are without a contract. Additionally, the company incurred the largest backlog intake since 3Q23, with a net backlog addition of SAR 2.4 bn in 2Q25, taking the backlog to SAR 11.1 bn, equivalent to 3.1x the 2024 topline. The rig suspensions caused a 7% YoY decline in topline in 1H25, coupled with downward pressure on realized rates, which contributed to a 14% YoY drop in EBITDA. Net profit fell 50% YoY, impacted by the lower EBITDA, higher depreciation, and increased finance costs.

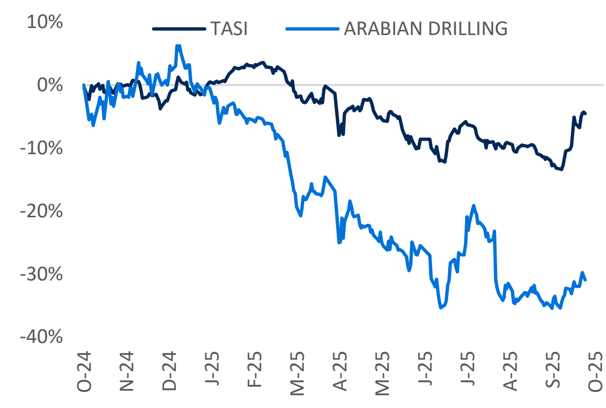
Even with the potential dividend freeze, we note that after the 33% decline in the stock's price over the last 12 months (including a 4% drop since the July announcement), the consensus view remains positive on the company, with the consensus target price standing at SAR 90.4/sh, offering a potential upside of 17%.

Rig utilization downtrend



Source: Earnings presentation, anbc research

Relative price chart



Source: Tadawul, anbc research

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