

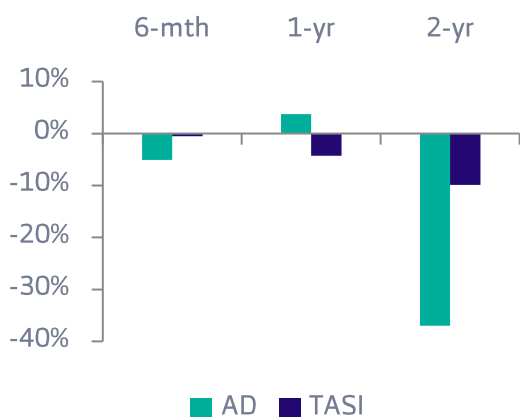
■ Offshore Helps Margins; Soft 2Q26 Guidance Affirms Position May 17, 2026

Upside to Target Price	(8.4%)	Rating	Neutral
Expected Dividend Yield	0.0%	Last Price	SAR 87.35
Expected Total Return	(8.4%)	12-mth target	SAR 80.00

Market Data	
52-week high/low	SAR 107.0 / 72.0
Market Cap	SAR 7,774 mln
Shares Outstanding	89 mln
Free-float	30.00%
12-month ADTV	247,826
Bloomberg Code	ARABIAND AB

AD	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	822	911	(10%)	824	(0%)	835
Gross Profit	101	180	(44%)	(30)	-	88
Gross Margins	12%	20%		(4%)		11%
Operating Profit	60	137	(56%)	(91)	-	23
Net Profit	7	75	(91%)	(149)	-	(35)

(All figures are in SAR mln)



- AD reported a topline of SAR 822 mln vs. SAR 911 mln in 1Q25, a decrease of -10% Y/Y and essentially flat Q/Q; in-line with our estimate for revenues. AD's Land segment (67% of revenues with gross margin 2.2%) in 1Q26, had revenues decrease -17% Y/Y and -4% Q/Q; driven by overall weaker land rig activity both Q/Q and Y/Y. The Offshore segment (33% of revenues with gross margin of 32.4%) posted revenues of SAR 273 mln in 1Q26, an increase of +9% Y/Y and +8% Q/Q; which contributed to stronger gross profits and gross margins in 1Q2026.
- AD's operating profit was SAR 60 mln in 1Q26, a significant reversal from an operating loss of SAR (91) mln in 4Q25 – though we note the Q4 loss included a SAR 114 mln non-cash impairment; on an adjusted basis the Q/Q improvement is +121%. On a Y/Y basis, however, operating profit was down -56%. Q/Q improvements were driven by superior utilization rates in 1Q2026 (81.7%), with 49 active rigs out of the Company's total fleet (60). We also note that the improvement in gross margins this quarter was driven by the resumption of two land rigs and two offshore rigs, especially, given the stronger margins from the offshore segment.
- AD reported a net profit of SAR 7 mln in 1Q26, down -91% Y/Y, but a loss reversal Q/Q, vs our SAR (35) mln loss estimate. We maintain Neutral, which is supported by these results, approaching catalysts, current uncertainties, and potential positive developments which could be offsetting. Operational efficiency and backlog growth on one side, Hormuz overhang, soft 2Q26 guidance, land-margin compression, and the 2H26 (assumed) Sukuk refinancing catalysts on the other. For the bear case to develop into a downgrade we would want to see: 1) the LSTK retender land materially below current day rates, or 2) extended offshore suspensions, or 3) the Sukuk refinance (base case given repay period) proceeds at penalty pricing. None of these is the base case today, but all three material events are between now and year-end.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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