Arabian Drilling Company (AD)

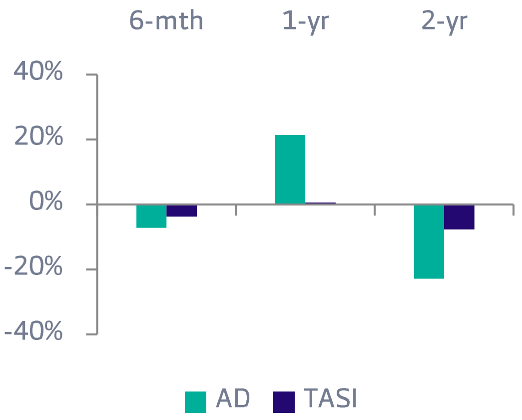
2Q2026 First Look

Rig Suspensions Weigh on Results, Management Guides Better 2H26

August 12, 2026

Upside to Target Price	(10.0%)	Rating	Neutral
Expected Dividend Yield	0.0%	Last Price	SAR 88.90
Expected Total Return	(10.0%)	12-mth target	SAR 80.00

Market Data	
52-week high/low	SAR 107.0 / 72.2
Market Cap	SAR 7,912 mln
Shares Outstanding	89 mln
Free-float	30.00%
12-month ADTV	221,620
Bloomberg Code	ARABIAND AB



AD	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	765	863	(11%)	822	(7%)	726
Gross Profit	70	123	(43%)	101	(30%)	49
Gross Margins	9%	14%		12%		7%
Operating Profit	19	67	(72%)	60	(69%)	9
Net Profit	(32)	7	-	7	-	(42)

(All figures are in SAR mln)

- AD reported 2Q26 revenue of SAR 765 mln, down -11% Y/Y and -7% Q/Q, ahead of our SAR 726 mln estimate and materially better than management's prior guidance of a sequential decline of up to -12%. AD attributes the SAR 57 mln sequential decline to a SAR 122 mln impact from offshore rig suspensions, offset by SAR 47 mln of operational improvement in land and an SAR 18 mln full-quarter contribution from the international GCC operation. Average rig utilization fell to 72% from 82% in 1Q26 and 79% in 2Q25, with active rigs down to 43 from 49.
- Offshore revenue fell -37% Q/Q to SAR 171.3 mln, while offshore gross margin swung to (6.0)% from 32.4% in 1Q26, a decline in segment gross profit of roughly SAR 99 mln on roughly SAR 102 mln of lost revenue. The Land segment offset around two-thirds of this, with revenue up +8% Q/Q and gross margin recovering to 13.6% from 2.2%, although we note this remains below the 15.0% delivered in 1H25 and is supported by the cost optimization program (launched April 2026) rather than outperformance. EBITDA of SAR 250.6 mln (32.8% margin) against an operating profit of SAR 18.8 mln implies depreciation of approximately SAR 232 mln; after net finance costs and zakat AD recorded a net loss of SAR (32) mln, narrower than our SAR (42) mln estimate.
- Management expects recovery, but back-end weighted. Following the resumption notice announced 12 July, three previously suspended offshore rigs have since returned to service, with the remaining suspended rigs expected to return by year-end; management guides 3Q26 revenue up +4–6% Q/Q, with full financial benefit only in 4Q26. Net leverage is currently 2.2x and is guided as the peak for the year and to decline below 2.0x by year-end, with capital expenditure guidance unchanged. With the reactivation timing and the pace of offshore margin recovery still to be demonstrated, and leverage levels at a relative peak, we maintain our Neutral rating and our target price.

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Disclaimer

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

For any feedback on our reports, please contact research@riyadcapital.com

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