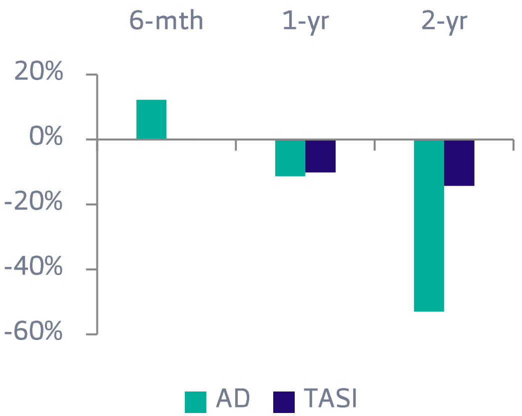
Forward Guidance Better; Still not Enough

March 8, 2026

Upside to Target Price	(3.6%)	Rating	Neutral
Expected Dividend Yield	0.0%	Last Price	SAR 83.00
Expected Total Return	(3.6%)	12-mth target	SAR 80.00

Market Data	
52-week high/low	SAR 107.0 / 72.0
Market Cap	SAR 7,387 mln
Shares Outstanding	89 mln
Free-float	30.00%
12-month ADTV	247,844
Bloomberg Code	ARABIAND AB



AD	4Q2025	4Q2024	Y/Y	3Q2025	Q/Q	RC Estimate
Sales	824	850	(3%)	835	(1%)	816
Gross Profit	(30)	182	-	101	-	126
Gross Margins	(4%)	21%		12%		15%
Operating Profit	(91)	133	-	55	-	79
Net Profit	(149)	70	-	(9)	(1,478%)	(46)

(All figures are in SAR mln)

- AD reported a topline of SAR 824 mln vs. SAR 850 mln in 4Q24, a decrease of -3% Y/Y and a -1% Q/Q; in-line with our estimates. We believe the gross loss (reversed from a gross profit in 3Q2025) was driven by one-time demobilization costs related to an offshore rig and reactivation costs for rigs starting operations in 1Q2026. AD's Land segment (69% of revenues and 40% of gross profit) in 4Q25, had revenues increase +5% Y/Y and -2% Q/Q; driven by overall rig activity both Q/Q and Y/Y. The Offshore segment (31% of revenues and 60% of gross profit) posted revenues of SAR 252 mln in 4Q25, down -18% Y/Y and +1% Q/Q; this higher margin segment's lower performance reduced margins overall.
- AD's operating loss came in at SAR (91) mln in 4Q25, a significant drop from an operating profit of SAR 55 mln in 3Q25, driven by the gross loss. We also note, the Q/Q drop in gross margins this quarter was mostly driven by the offshore segment, where gross margins were 19.9%; down from 25% in 3Q2025, and still further down from 25.9% in 2Q2025. While the lower margin land segment's gross margin dropped -40 bps Q/Q, the offshore segment had gross margins drop Q/Q by almost -600 bps; perhaps related to the demobilization fees of the one rig.
- AD reported a net loss of SAR (149) mln in 4Q25, down both Q/Q and Y/Y, increasing losses significantly, however, this might have been related to a non-cash impairment of SAR 114 mln, which management noted. We also note that this non-cash impairment, even if removed, does not eliminate the lower adjusted net losses, which would have been roughly SAR (35) mln. Management's guidance for 1Q26 mentioned some positive changes, such as an increase in revenue due to rig resumptions. We maintain our rating but adjust our target price lower and note our correct estimation of the suspended dividend for the Company.

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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

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

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