# Arabian Drilling Company (AD)

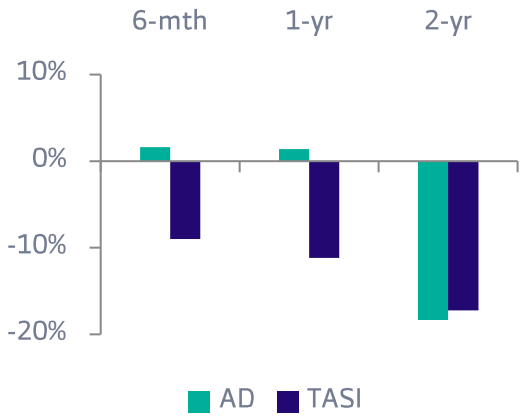
# 3Q2026 First Look

## Land Margins Drive a Clear 3Q26 Beat; Leverage Still Rising

**November 8, 2026**

| | | | |
|---|---|---|---|
| Upside to Target Price | (13.8%) | Rating | Neutral |
| Expected Dividend Yield | 0.0% | Last Price | SAR 92.85 |
| Expected Total Return | (13.8%) | 12-mth target | SAR 80.00 |

| Market Data | |
|---|---|
| 52-week high/low | SAR 107.0 / 76.5 |
| Market Cap | SAR 8,264 mln |
| Shares Outstanding | 89 mln |
| Free-float | 30.00% |
| 12-month ADTV | 183,737 |
| Bloomberg Code | ARABIAND AB |




| AD | 3Q2026 | 3Q2025 | Y/Y | 2Q2026 | Q/Q | RC Estimate |
|---|---|---|---|---|---|---|
| Sales | 811 | 835 | (3%) | 765 | 6% | 807 |
| Gross Profit | 133 | 101 | 32% | 70 | 89% | 109 |
| Gross Margins | 16% | 12% | | 9% | | 13% |
| Operating Profit | 82 | 55 | 49% | 19 | 337% | 60 |
| Net Profit | 31 | (9) | - | (32) | - | 8 |

(All figures are in SAR mln)

- AD reported 3Q26 revenue of SAR 811 mln, -3% Y/Y and +6% Q/Q, in line with our SAR 807 mln estimate and at the top end of management's +4% to +6% guide. Offshore revenue rose +33% Q/Q to SAR 228 mln on the resumption of four offshore rigs; land revenue was -2% Q/Q at SAR 583 mln. Utilization rose to 76.7% from 71.7% in 2Q26 (46 active rigs from 43). Backlog reached a record SAR 17.6 bln (+42% from year-end 2025); the recently awarded gas LSTK and KJO Dorra projects are due to start up in 4Q26.
- Gross profit of SAR 133 mln (16.4% margin) compares with SAR 101 mln (12.1%) in 3Q25 and SAR 70 mln (9.2%) in 2Q26, ahead of our SAR 109 mln (13.5%) estimate. Land gross margin rose to 16.6% from 13.6% in 2Q26, above the 15.0% of 1H25, on rig move efficiencies and cost optimization; offshore gross margin recovered to 16.0% from (6.0)%. EBITDA was SAR 320 mln (39.4% margin) and operating profit SAR 82 mln, against SAR 55 mln in 3Q25 and our SAR 60 mln. Net profit of SAR 31 mln, against losses of SAR (9) mln in 3Q25 and SAR (32) mln in 2Q26, was well ahead of our SAR 8 mln estimate.
- Management guides 4Q26 revenue +8% to +10% Q/Q on the project start-ups and raised 2026 capex to SAR 750 to 800 mln from about SAR 700 mln. Net leverage rose to 2.3x from 2.2x, which management had guided as the peak for the year, with the sub-2.0x year-end target and the SAR 2 bln Sukuk due February 2027 still ahead. The quarter shows higher rig activity and a step-up in land margins, but with the shares above our target price, leverage still rising and the regional situation still unsettled, we maintain our Neutral rating and our SAR 80.00 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

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