

## **ARABIAN DRILLING EARNINGS RELEASE**

### **For Period Ended 30 June 2023**

#### **Arabian Drilling Achieves Improved EBITDA on Flat Quarterly Revenue and Major Backlog Increase Following Milestone Win in Unconventional Gas**

- Revenue flat for the quarter ended 30 June 2023 (“Q2’23”) compared to the prior quarter (“Q1’23”), hereinafter referred to as “QoQ”; and up +25% for the 6-month period ended 30 June 2023 (“H1’23”) compared to the 6-month period ended 30 June 2022 (“H1’22”), hereinafter referred to as “YoY”
- Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”) margin improved by +90 basis points (“bps”) QoQ and up SAR 142 million, a +27% increase YoY
- Net Income stable QoQ and up +36% YoY
- Accelerated Capital Expenditure (“Capex”) of SAR 517 million in Q2’23 related to the completion of shipyard activities and mobilization of the three latest jackups (AD130, AD140 and AD150)
- Cash dividend of SAR 2.53 per share recommended for H1’23
- SAR 3 billion Backlog increase estimated in Q3’23 following new Contracts for Unconventional Gas

Al-Khobar, KSA – August 02, 2023: Arabian Drilling, or the “Company”, (Tadawul symbol: 2381), Saudi Arabia’s national Drilling Champion, announced its Q2’23 and H1’23 financial results, with an impressive +36% increase in Net Income to SAR 282 million YoY.

#### **FINANCIAL HIGHLIGHTS**

Arabian Drilling closed Q2’23 with a consolidated quarterly revenue of SAR 791 million, in line with Q1’23 on a similar rig activity level. For H1’23, the Company achieved a consolidated revenue of SAR 1,570 million, representing a +25% increase over H1’22, mainly driven by increased rig activity. In particular, H1’23 includes the full revenue impact of the two Jackups (AD110 and AD120), both of which started their three-year contract in late 2022.

Q2’23 EBITDA was SAR 335 million, with a margin of 42.4%, representing a +90 bps increase QoQ, mainly due to improved operational performance in the Land Segment. H1’23 EBITDA

increased by +27% to SAR 658 million with a slightly higher margin of 41.9% supported by the increased contribution from the Offshore Segment.

Q2'23 Net Income decreased slightly by -1%, mainly due to higher depreciation cost and finance charges.

Operating Cash Flow of SAR 348 million for Q2'23 was -26% lower QoQ due to the mobilization fee for AD110 and AD120 that was collected in Q1'23, as well as Zakat and Income Tax payments pertaining to FY'22. As of 30 June 2023, Net Working Capital of SAR 150 million represented approximately 5% of the last 12-month trailing Revenue, due to the favorable variance in Trade and Other Payables.

Capex spending accelerated during Q2'23 to SAR 517 million (including SAR 20 million for the portion of the interest capitalized) as the shipyard activities for AD130, AD140 and AD150 were completed. H1'23 Capex of SAR 782 million was also significantly higher than H1'22 that did not include major Capex related to offshore fleet expansion.

The Company's Cash position as of 30 June 2023 was in excess of SAR 1.8 billion and included SAR 900 million in short-term investments. The available Cash will be deployed to finance the building of the new rigs awarded.

The Net Debt position of SAR 879 million as of 30 June 2023 increased by +23% compared to Q1'23. Accordingly, the Leverage Ratio (Net-Debt/Last 12 Month ["LTM"] EBITDA) also slightly increased from 0.6 to 0.7 in Q2'23 mainly due to a change in Cash position.

## Key Financial Metrics

SAR Millions	Q2'23	Q1'23	Change	H1'23	H1'22	Change
Revenue	791	779	+1%	1,570	1,251	+25%
EBITDA	335	323	+4%	658	516	+27%
EBITDA (% of Revenue)	42.4%	41.5%	+90bps	41.9%	41.3%	+60bps
Operational Profit	180	173	+4%	352	273	+29%
Net Income	140	141	-1%	282	208	+36%
EPS (SAR per share) (1)	1.58	1.59	-1%	3.17	2.60	+22%
Capital Expenditure (2)	517	265	+95%	782	178	+339%
CF from Operating Activities	348	472	-26%	821	499	+65%
Active Rigs (3)	44	44	-	44	41	7%

(1) 2023 EPS is based on 89,000,000 shares (post-Listing). 2022 EPS is based on 80,000,000 shares (pre-Listing).

(2) Includes the portion of capitalized interests.

(3) Active rigs at the end of the period include rigs operating and generating revenue. As of 30 June 2023, the total available fleet size was 47 rigs.

## Revenue Breakdown by Segments

(SAR Millions)	Q2'23	Q1'23	Change	H1'23	H1'22	Change
LAND	489	480	+2%	969	906	+7%
OFFSHORE	302	299	+1%	601	345	+74%
<b>TOTAL</b>	<b>791</b>	<b>779</b>	<b>+1%</b>	<b>1,570</b>	<b>1,251</b>	<b>+25%</b>

## OPERATIONAL HIGHLIGHTS

At the end of 30 June 2023, Arabian Drilling reported a fleet utilization rate of 94% (44 active rigs out of a total available fleet of 47 units), in line with Q1'23 and with no significant changes in the rig count or status.

The Land Segment comprised of 35 rigs operating over a total fleet size of 38 units. The three land rigs that were not contracted included two rigs requiring a significant upgrade (AD28 and AD44) plus another rig (AD29) which was assigned as a training facility, as previously announced.

The Offshore segment utilization rate was 100%, with all the nine rigs fully operational. The remaining three jackups (AD130, AD140 and AD150) were mobilized to Saudi Arabia in June 2023 and started their five-year contract in July 2023.

Aramco's Rig Efficiency Index ("REI") based on a 36-month rolling average remained strong with a score of 94% across the fleet and in line with Q1'23. Overall, Non-Productive Time ("NPT") for Q2'23 was at 1.30%, a marginal increase compared to Q1'23. However, the 12-month rolling average NPT has slightly reduced as of 30 June 2023.

During Q2'23, the Company completed 38 land rig moves, with an average net saving of 1.3 days per rig move, reflecting a significant QoQ improvement.

As of 30 June 2023, the Company's Backlog was SAR 7.6 billion with an average remaining contract tenure of 2.1 years per rig. In Q2'23, c. SAR 150 million was added to the Backlog, mainly coming from contract extensions and awards with SLB and Baker Hughes related to four Land Rigs. The ratio of the current Backlog to the LTM Revenue (Book-to-Bill ratio) was 2.5x.

As announced, post 30 June 2023 the Company's Backlog increased substantially following Aramco's new contracts award worth an estimated SAR 3 billion for 10 new-build land rigs for Unconventional Gas fields.

At the end of Q2'23, the 12-month rolling average of the Total Recordable Incident Frequency ("TRIF") improved to 0.75 vs. 0.84 in Q1'23. Arabian Drilling continues to increase its focus on the prevention of injuries across all its work locations by strengthening the management visibility on site, training, improving risk management and implementing the "Stop Work Authority" safety policy.

Arabian Drilling was also recently recognized for its commitment to attain the highest operational standards and achieved certifications including ISO 14001:2015 for environmental management system, ISO 45001:2018 for Occupational Health and ISO 9001:2015 for Safety and Quality Management.

## **GUIDANCE**

Full Year 2023 (“FY’23”) Revenue guidance remains unchanged and is expected to be in the range of SAR 3.3 billion to SAR 3.5 billion.

The updated FY23 Capex guidance, including the portion of the spend for the current year related to the building of the 10 rigs for the new Unconventional Gas contracts, is now expected to be in the range of SAR 2.2 to SAR 2.4 billion. Accordingly, the Company anticipates the Leverage Ratio to increase in line with the deployment of existing cash to support Capex growth.

Based on the Board’s recommendation and subject to the Shareholders’ approval, the Company intends to distribute a cash dividend of SAR 2.53 per share during the Fourth Quarter of 2023.

## **COMMENTS**

Ghassan Mirdad, Chief Executive Officer of Arabian Drilling, commented:

*“We are particularly pleased to have delivered the latest jackups safely, on time and on budget. Delivering these three rigs in July was one of our key goals for this year and proof of the high quality of our team.*

*The major win in the Unconventional Gas will be the opportunity for Arabian Drilling to establish a strong footprint in an area that we believe will drive the growth of land drilling for the foreseeable future.*

*Finally, as we enter our next phase of growth, our safety culture is at the heart of everything we do, and we remain focused on achieving the highest Health, Safety and Environment standards across our operations.”*

Hubert Lafeuille, Chief Financial Officer of Arabian Drilling, commented:

*“We have improved our margin in Q2’23 as the Land Segment regained a robust operational performance.*

*We built up a strong balance sheet precisely to support our growth and we will now deploy our capital to finance the construction of the 10 new Land Rigs. While we might see a higher leverage ratio and higher finance cost in the short-term, we are in a strong position to continue to deliver value to our shareholders.”*

-ENDS-

## ABOUT ARABIAN DRILLING

Arabian Drilling is an award winning onshore and offshore gas and oil rig drilling company in Saudi Arabia with an extensive track record of operational excellence and a history of innovation that has brought tremendous safety and efficiency gains to the drilling process.

Established in 1964, Arabian Drilling is the leader in the drilling sector in Saudi Arabia, with founders and majority shareholders the Industrialization & Energy Services Company (TAQA), a Saudi Joint Stock company and SLB (previously known as Services Petroliers Schlumberger S.A.), a global leader in oilfield services.

Arabian Drilling serves clients including Aramco, Al-Khafji Joint Operations (KJO), SLB, as well as Baker Hughes, and has a large fleet of onshore and offshore rigs operated by a highly skilled, qualified, and professional staff, that are built to withstand the harsh weather conditions found in the Middle East region.

Arabian Drilling has adapted to meet the needs of a changing industry and world, integrating sustainable practices throughout the business and contributing to sustainable global energy demand. Arabian Drilling's sustainability Roadmap is aligned with the United Nations Sustainable Development Goals (UN SDGs) and Saudi Arabia's Vision 2030, with initiatives and business practices that empower employees, local suppliers, and the communities and economies in which the company operates and serves, while responsibly managing the impacts of the growing business on the planet.

To find out more, visit:

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