23-Jul-2026

Oceaneering International, Inc. (OII)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Hilary Frisbie
Senior Director-Investor Relations, Oceaneering International, Inc.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

OTHER PARTICIPANTS

Keith Beckmann
Analyst, PEP Advisory LLC

Josh Jayne
Analyst, Daniel Energy Partners LLC

Edward Kim
Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Oceaneering's Second Quarter 2026 Earnings Conference Call. My name is Rob and I will be your conference operator. All lines have been placed on mute to prevent any background noise. There will be a question-and-answer period after the speakers' remarks. With that, I will now turn the call over to Hilary Frisbie, Oceaneering's, Senior Director of Investor Relations.

Hilary Frisbie
Senior Director-Investor Relations, Oceaneering International, Inc.

Thanks, Rob. Good morning and welcome to Oceaneering's Second Quarter 2026 Results Conference Call. Today's call is being webcast and a replay will be available on our website. With me today are Rod Larson, President and Chief Executive Officer; and Mike Sumruld, Senior Vice President and Chief Financial Officer. Rod and Mike will provide our prepared remarks and then we'll take your questions.

Before we begin, please note that statements made on this call about our future financial performance, business strategy, plans for future operations, and industry conditions are forward-looking statements made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Our remarks also include non-GAAP financial measures. Additional details and reconciliations to the most directly comparable GAAP financial measures are included in our second quarter press release, which is available on our website.

With that, I'll turn the call over to Rod.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

Good morning and thanks for joining the call today. Our second quarter results, which exceeded the high-end of our EBITDA guidance range, reflected strong operational execution across our diversified portfolio. Our adjusted

EBITDA of $115 million represented our highest quarterly level, since the third quarter of 2015, underscoring the momentum that we're building across the business.

The Offshore Projects Group or OPG led our year-over-year improvements, and was this largest contributor to our second quarter EBITDA outperformance. Those results were driven by a favorable project mix of international intervention and installation projects. These projects included ongoing light well intervention services in the Caspian Sea and an installation project in offshore Egypt. In Subsea Robotics, or SSR, the Ocean Intervention II entered service following significant upgrades in 2025, and is now performing survey projects that are expected to keep the vessel utilized through most of the remainder of the year.

We expect to conduct a simultaneous operations or SIMOPS project from the vessel later this year, enabling multiple survey activities to be performed concurrently and improving overall operational efficiency for our customers. We also continued to secure contract awards and extensions across our energy segments, including our recently announced award for ROV services in Brazil, that improves our visibility into future demand.

In ADTech, we secured new contract awards across a range of defense and subsea applications, including subsea robotics, subsea systems, submarine rescue, and submarine maintenance construction and installation services. Among these awards was a joint contract from the defense Innovation Unit, to support development of an extra-large unmanned underwater vehicle. This award highlights the continued evolution of our strategy to deploy dual-use technologies that serve both energy and government customers, while demonstrating our ability to collaborate with partners, to meet defense industry needs.

In addition, our I team was recognized as a best-in-class supplier by Lockheed Martin for their work on the Artemis program. We also took steps during the quarter to strengthen our capital structure and liquidity position by extending our debt maturities and increasing the size of our credit facility. These actions provide us with additional financial flexibility to support our strategic priorities and pursue future growth opportunities.

So, with that context, I'll turn the call over to Mike to summarize our second quarter results and to provide more details on our financing transactions. And then I'll be back to discuss our outlook for the third quarter and for the rest of 2026. Mike?

Michael W. Sumruld

Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

Thanks, Rod, and good morning. Let me start by sharing our consolidated financial results for the second quarter 2026. Overall, our results exceeded the high end of our guidance range, led by a particularly strong performance from OPG, as well as improved results from SSR, Manufactured Products, and ADTech. Compared to the second quarter of 2025, revenue increased 10% to $768 million, with growth in every segment except Integrity Management and Digital Solutions, or IMDS. Operating income increased 11% to $88.2 million. Net income attributable to Oceaneering increased 19% to $65 million or $0.65 per share, and adjusted EBITDA increased 11% to $115 million.

Turning to our cash flow and liquidity, we generated $55.2 million of cash from operating activities, the year-over-year decrease primarily reflected the timing of project milestones, customer receipts and vendor payments. We invested $23.2 million in organic capital expenditures, with approximately 34% allocated to growth and 66% allocated to maintenance. Free cash flow was $32 million. We resumed share buybacks during the quarter, repurchasing $10 million of common stock and we ended the quarter with a cash balance of $629 million, total liquidity of $844 million and no borrowings under our revolving credit facility.

As Rod mentioned, in late June, we initiated a series of transactions to strengthen our liquidity position and extend our debt maturities. We successfully placed $500 million of senior notes due in 2034 and used the proceeds together with cash on hand to retire our $500 million of senior notes due in 2028. We also amended our secured revolving credit facility, increasing commitments from $215 million to $345 million and extending its maturity to July 2031. These transactions will be completed this month.

Now, let's look at our business operations by segment for the second quarter of 2026, as compared to the second quarter of 2025. SSR results improved year-over-year, supported by higher average ROV, revenue per day utilized and increased survey activity. Revenue increased 6% to $232 million, and operating income increased 3% to $66.3 million. Average ROV revenue per day utilized increased from $11,265 to $11,894, on continued improvements in contract pricing. SSR EBITDA margin was flat at 35% as higher average ROV pricing was offset by geographic and service mix, including a greater contribution from survey, which carries lower margins than our core ROV business. ROV utilization was slightly lower at 66%, compared to 67% during the same period last year, as solid activity levels in Europe and West Africa largely offset lower activity in the US Gulf.

Survey activity increased as the Ocean Intervention II commenced operations. For the quarter, the revenue split between our ROV business and our combined tooling and survey businesses, as a percentage of our total SSR revenue was 77% and 23%, respectively, compared to 79% and 21% during the second quarter of 2025. This shift reflects the increased contribution from our survey business. ROV days utilized in drill support were 64%, while vessel-based services were 36% compared to 63% and 37%, respectively, in the prior-year quarter. As of June 30, 2026, we had ROV contracts on 82 of the 139 floating rigs under contract or 59% market share. We maintained our fleet count of 250 ROV systems.

Turning to Manufactured Products, revenue increased 3% to $149 million, and operating income increased 17% to $21.9 million, resulting in an operating income margin of 15%, up 178 basis points year-over-year. The improvements were largely driven by continued conversion of higher margin backlog, increased volume in our Rotator valves business and improved results in our mobility solutions product line. Backlog decreased to $445 million on June 30, 2026, reflecting execution of previously awarded work. Our book-to-bill ratio for the trailing 12 months was 0.88, compared to 0.65 for the same period last year. We won multiple awards early in the third quarter and expect to finalize those contracts in the coming weeks.

Based on our sales funnel, we anticipate additional awards in the third and fourth quarters, reinforcing our expectation that backlog will improve in the second half of the year and meet our full-year book-to-bill guidance of 0.9 to 1.0. OPG delivered impressive year-over-year improvements, with revenue increasing 22% to $183 million and operating income increasing 39% to $30 million, producing a 16% operating income margin. These results were supported by a favorable project mix and disciplined execution on international intervention and installation projects that are expected to continue into the third quarter. Vessel utilization levels declined year-over-year, but are expected to improve in the third quarter, as we continue to support customers under several frame agreements.

IMDS' revenue, operating income and margin decreased due to lower activity levels and related cost absorption, as well as increased personnel-related costs in West Africa and the Middle East. While operations in the Middle East have begun to stabilize, which should support improved cost absorption in future quarters, we continue to face uncertainty regarding overall activity in those regions. ADTech revenue increased 22% to $133 million, and operating income was up slightly at $16.4 million. Operating income margin declined to 12%, reflecting changes in program mix and timing in our Oceaneering Technologies or OTECH business lines. Unallocated expenses of $46.6 million were in line with our guidance for the quarter and relatively flat year-over-year.

Now I'll turn the call back to Rod to discuss our outlook for the third quarter of 2026 and for the second half of the year.

Roderick A. Larson

President, Chief Executive Officer & Director, Oceaneering International, Inc.

Thanks, Mike. We expect to build on our positive first half results as we anticipate revenue to increase in the third quarter and adjusted EBITDA to be in the range of $115 million to $125 million. Comparing our third quarter 2026 to 2025 by segment, for SSR, we expect increased revenue and operating income as ROV utilization improves and survey activity continues. For Manufactured Products, we expect revenue and operating income to decrease slightly. Improved results from our umbilicals and Rotator valves business are expected to largely offset decreases in hardware production, pipeline repair and our Grayloc Connectors.

For OPG, we expect revenue and operating income to increase with higher vessel utilization in the US Gulf and West Africa and the continuation of international intervention and installation projects. For IMDS, we expect revenue to increase and operating income to be relatively flat. For ADTech, we expect revenue and operating income to increase with higher activity levels in OTECH and Marine Services. We project unallocated expenses to be approximately $50 million.

Returning to our 2026 outlook, our first half performance has increased our confidence in our full-year outlook and supports raising the low end of our adjusted EBITDA guidance range. We now expect consolidated adjusted EBITDA to be between $400 million and $440 million for 2026. At the same time, we've updated our IMDS outlook to reflect ongoing uncertainty in the Middle East and reduced activity in West Africa. We now expect IMDS operating income to decrease significantly compared to the full year of 2025 and for operating income margin to be in the low single digit percentage range.

The outlook for other operating segments remains unchanged, with performance trending in line with or ahead of our prior expectation. In summary, we're pleased with our performance in the second quarter and first half of the year. Disciplined execution, healthy demand across most of our businesses and a strengthened financial position support our confidence in the remainder of 2026. While we continue to navigate challenges in our IMDS business, our other operating segments have contributed to first-half results that exceeded our guidance. We remain focused on delivering value to our customers and shareholders.

We appreciate everyone's continued interest in Oceaneering and we'll now be happy to take any questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Keith Beckmann from Pickering Energy Partners. Your line is open.

Keith Beckmann
Analyst, PEP Advisory LLC

Q

Hey, thanks for taking my question and...

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Of course.

Keith Beckmann
Analyst, PEP Advisory LLC

Q

...congrats on the quarter, guys.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Thanks.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

Thank you.

Keith Beckmann
Analyst, PEP Advisory LLC

Q

My – yeah, my first question is just obviously, we got the refinancing this quarter. You guys have kind of built a nice net cash position and, kind of $10 million a quarter buybacks now for a little while. Just wanted to get your thoughts on this capital allocation change at all and maybe what opportunities are out there, given that you guys got a longer runway now?

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

I would say – we still say, organic first, inorganic growth second, and then return the capital to the shareholders, again, with the share buybacks being primary right now. So, let me walk you down those three. When I think about organic, one of the things I – thanks for giving me the opportunity to point this out. We still are very proud of our energy business. And so we look for ways to invest and grow in that energy business, and I would just say, think about investing more around the core, the highest performing parts of that energy business, especially like SSR, for example.

And sometimes people wonder, well, how much more capacity can you absorb? It's not really just about capacity. I mean, we think about the way we deliver value, and that's through automation, through high tech services, being the best provider out there, given the customer what they really want. And that's – they're very focused on a specific set of services, done really reliably, high availability in any weather, those kinds of things, with a greater automation. I think that's where we're really pushing that core business and we intend to not just defend, but to grow that core part of our business.

So, there'll be investment made there. And then when we switch to sort of the other part of our core business that defense side, where we know that it could be better, and we really see opportunities for us to expand in that space. And that may require not just some organic investment like we have made around the big projects that we've been winning. But also around some inorganic things, from places where we think we can really add value, but not go out and compete with some of these, I mean, just unbelievable valuations around some of the tech in defense.

So, while we are definitely playing in that space, we have tech of our own. We think of our specialty really being about the people who have proven experience, getting the stuff offshore, off and on a boat. That really making these things work in real time. And so, we think we can partner with other companies there, but we also think there are some other businesses that we can either increase their participation in defense, or even bring existing businesses to have a greater, I think, greater volume in defense business.

So, I – there are some really good opportunities there. And I think, out with any big shift, we'd like to continue to do our share buybacks. We think, the opportunities are there, we are opportunistic but we're not taking them off the table in lieu of something else.

Keith Beckmann
Analyst, PEP Advisory LLC

Q

Awesome. That's really helpful. And then my second question is just here around – I don't want to get too ahead of myself, but thinking into 4Q and then into next year, offshore, just wanted to think about, yeah, the SSR, how do you expect ROV utilization to be potentially into next year? And then kind of twofold, on the OPG side of the business, really strong. The 3Q, looks good as well, how sustainable is that going forward? Kind of like Caspian and you did really well, but just trying to think about the growth trajectory of OPG after really strong quarters there.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Yeah, let me start with SSR. I mean, we see – just like so many other people are calling out, greater rig utilization, which means, I think greater use for ROVs. Also on the tree installation side, more – the tree orders and tree installations being strong, and that bodes well for ROVs as well. Our ROVs on vessels. So I think, we see both of them. We've got some rig – for example, some rigs that are still being contracted, but they may be moving from region-to-region. So I think you see some increase. And then we see as those rigs get into position and other increase kind of in that range of time that you mentioned. So, I think, SSR looks good. Again, continued utilization of the survey vessel, which is the other part of SSR. So, that also looks strong. And then tooling which goes along with the ROVs. I would say that's good.

For OPG, I think the thing to watch is, a lot of people said, hey, an increased share price should drive OPG intervention work should be happening, people should be picking up rigs on US land, if the commodity price stays high. As we – I think everybody sees. We see discipline around that. We don't see people just going crazy. But we do see, I think, increased interest and increased activity. So it's not – well, it's not a big spike, I think we see that happening. I think, more importantly, it's longer term. I think we see more longer-term confidence in doing projects and thinking about things. We don't see this as being a short burst in time. I think people see more the demand being up for a longer period of time and geopolitical issues moving around from here to there. But we'll continue to leverage the infrastructure we have in place and to make new developments. So, I think that longer-term outlook is actually boding as strongly for OPG as just the near-term commodity price.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

Yeah, yeah, yeah.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Mike, would you like to add anything?

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

I would, and just to that last point, I think with rigs, also, you're seeing longer-term contracts.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Yeah.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

Which is a great indicator of the operator recognizing that they're – that they need to lock in these rigs now, at the prices which are still fairly favorable to a few years back and extending those out. And we're going to extend along with them. So I do think it looks good from a macro perspective as well.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Yeah. I mean, ROV contracts reflect the same. We're getting longer, more, longer ROV contracts as well. So, yeah.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

Yeah.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Yep.

Keith Beckmann
Analyst, PEP Advisory LLC

Q

Awesome. I really appreciate the time, guys and congrats on the quarter again.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Thanks.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

Thank you, Keith.

Operator: [Operator Instructions] Your next question comes from the line of Josh Jayne from Daniel Energy Partners. Your line is open.

Josh Jayne
Analyst, Daniel Energy Partners LLC

Q

Good morning. Thanks for taking my question. One of the things we've heard from some of the diversifieds, as they alluded to a change in tone in conversations with NOCs around energy security, how they're framing spending moving forward, I think, Rod, you alluded to a little bit in your last answer. But any insight you could provide with NOC discussions and maybe walk around the world a bit to offer where you think you could see the most growth over the next couple of years, just in light of everything that's happened in the Middle East?

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Yeah, sure. I mean, I think, the one – first one I'd call out is Brazil. Brazil is definitely active again. Petrobras very interested in leveraging their strength as being a very large producer with the Middle East. And so I think there's a really strong one. And we see that, right? I mentioned the ROV contract, but we see other activity down there as well, so umbilical contracts coming out and stuff like that. So, I think Brazil is the first one I'd call out. Africa, I think, Africa is still strong and there's a lot of good projects in the works, people looking – going back and looking at places that haven't been as active recently. And then of course, the new stuff. So, things around Namibia and Senegal and others. And we saw the Total announcement in the Orange Basin, so I think, watch Africa definitely. And when you think about energy security, Australia. And Australia and the Far East again, so I kind of rank them in that direction, not necessarily because that's where the biggest opportunities lie. But I think, we've got a lot of weight in the first two. So, for us, I think, they'll affect us most. But Australia is a really interesting one. I think, I'd watch that because certainly they have the ability to move fast relative to say, Africa or somewhere else, because they've already got so much infrastructure on the ground.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

Yeah, and proximity to...

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Yeah.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

...China and those...

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

And the demand.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

...economies, and where the demand sits is high. And I would also say, Equinor, right, in North Sea.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Sure.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

Right? A lot of activity there. 30% of their gas goes to Europe to talk about security, does that grow, and do you see more activity with some of the tiebacks in Norway? I think, you're going to see more of that as well.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

And they don't have as much push back as the UK Continental Shelf. I mean, the Norwegian Continental Shelf, they go fast.

Michael W. Sumruld
Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

A

Yeah, exactly.

Josh Jayne
Analyst, Daniel Energy Partners LLC

Q

Thanks for that. And then as my follow-up, I wanted to just go into sort of the defense contracts and spending a little bit more you talked about, and highlighted the relationship with KONGSBERG and maybe you could just talk about this partnership, and then also, as we've seen your relationship expand with the government, and the Navy, like do you view these announcements as sort of lumpy, and that's what they're going to be moving forward? Or are we just in the early innings of sort of a structural change in what the opportunity set is around defense spending in autonomy? And just maybe just your thoughts today on where you are in the cycle and then ultimately how that frames your business over the next couple of years? And maybe margins moving forward in that business would be helpful. Thank you.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

I think, it's an interesting thing. It's lumpy now, because, man, we – like that project we won was huge, right? So, it's the biggest project we've ever won in the company, not just in ADTech. So, that's a good lumpy, we call it that. We're participating in bigger things. As that business grows, I think, it does start to stabilize. These are longer-term projects, so they spread over a number of years and unlike some of the stuff we see in energy sometimes where you go on a season campaign and stuff like that, these are multiyear contracts and projects.

So, we start layering more of them in, it becomes less lumpy, the business grows, it becomes less lumpy. But also, I mean, you mentioned it, the kinds of things we're participating in is becoming more broad. And so, we've got more things going. And I got to call out Space Systems is working on the same side, right? There's – we have more customers in more places. We're getting a lot of respect, as being a great partner to have because of our offshore experience, because we're – I mentioned this before, we have got a lot of time invested into getting things into other parts of the world, getting things – getting equipment in and out of the water, making things work the first time. So, I think, all of that experiences is attracting the attention of partners, especially when you think in the defense space.

There's a lot of folks out there that are fairly new. And they're technology people. They've got really cool, bright, shiny objects, great, great technology that they're trying to launch, but they don't have a long history of experience of putting the stuff to work. And so, that's where the partnerships, I think, are really important to us. And that's been true with government contracting for a while. A lot of these big projects involve consortiums of people. We were a subcontractor on a lot of them before moving to prime or even a more of a balanced partner is fairly new, but it's not different in the way we do work in that space. But it's exciting. I mean, it's – the amount of times that we get reached out to, compared to three or four years ago is – has definitely changed.

Michael W. Sumruld A

Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

Yeah, I love the fact that on the defense side specifically, we play in a couple of key arenas, right. One is submarine repair and construction. So, more the older school that's going to go on for years, because they've been so far behind specifically in the US. So far behind where they need to be, but also on the OTECH side, all of the autonomy, and of course we're seeing more and more of that sadly, in the Middle East and in Ukraine and Russia. But that technology and that need that lower cost option, is big. And I think, it's great that we play on both sides.

Roderick A. Larson A

President, Chief Executive Officer & Director, Oceaneering International, Inc.

Yeah.

Josh Jayne Q

Analyst, Daniel Energy Partners LLC

Understood. I'll turn it back. Thanks for taking my questions.

Roderick A. Larson A

President, Chief Executive Officer & Director, Oceaneering International, Inc.

Okay. Thanks, Josh.

Michael W. Sumruld A

Senior Vice President & Chief Financial Officer, Oceaneering International, Inc.

Thanks, Josh.

Operator: Your next question comes from the line of Eddie Kim from Barclays. Your line is open.

Edward Kim Q

Analyst, Barclays Capital, Inc.

Hi. Good morning. Just curious on your thoughts on timing of sort of this offshore inflection and activity turning higher. Do you expect – and where you would see that most is probably your ROV's business and drill support. But do you expect that to be a late 2026 event or do you think that's maybe getting pushed to mid-2027, even second half of 2027, as a large service provider, service company? Earlier this week, that alluded to maybe timing getting pushed back to mid-2027. So, just curious on your thoughts there. And related to that is sort of your ROV's utilization, which has been trending in the 60s for the past several years now. Are we setting up for a move potentially into the 70s, maybe high-70s in the next couple of years? I have to look back in my model, 2013, 2014, this year utilization in the high-70s and 80s. So just curious if high-70s' utilization is an achievable target for you maybe in the next 2 to 3 years?

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Hey, so Eddie. A couple of things there. Let me start with the first one. I'd try – I'd sometimes, I'd get into colorful metaphors, but I feel like we're frogs in the pod here, right? It's coming up already. I – we talk about an inflection point, it is – I don't know that we're going to see a really well-defined inflection point, but I feel like we're already starting to see the activity raise, right? We see these contracts extending both for the rigs and for us. We do see greater rig utilization and greater rigs contracted. So I think, we're already in that period. It just hasn't – I don't see a real pronounced inflection point, but it is happening.

For us, it's a little bit muted, because like I said, some of the rigs we're on are actually going to move from region-to-region. So that'll create a little bit of downtime. But I think, longer term, if you look across a couple of quarters, three quarters or whatever, it's definitely building like we said it would. So it goes through the – had this half of the year, it probably goes into – we got the first part of 2027. But it's happening. And I think the – you follow the money, the contracts really speak to that. So, that...

Edward Kim
Analyst, Barclays Capital, Inc.

Q

Got it.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

...I would feel really good about. When you say about, utilization, one of the things I – we've talked a little bit about maybe not enough is that to really get into the high-70s, we have to have that high percentage of ROVs on drill ships. And so, we won't have the same probably percentage of ROVs on drill ships, as we did in the 2014 range. But we'll have closer to that, right? We'll have – we will creep above two-thirds probably when we think about activity, I think, any quarter. So, I think, that's one of the things to watch. When we think about activity level on the rigs, when they're all really busy. Can we see it get above where we are today? Absolutely. I can – when we get into the 70s, I would expect that, there will be – we will see – we'll see numbers in the 70s as well. But high 70s, I think, would really mean that we have a greater percentage and I'm not sure we get there without more drilling rigs. So...

Edward Kim
Analyst, Barclays Capital, Inc.

Q

Got it.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Yeah.

Edward Kim
Analyst, Barclays Capital, Inc.

Q

That's very helpful color. Thank you. Just my follow-up is on this recent announcement you made last week that – your sales in KONGSBERG being selected by the US Department of War to support the development of Uncrewed Undersea Vehicles for Navy mission. Just curious if that selection was maybe accelerated by what's going on in the Middle East? And it looks like the – you said the design is expected to be delivered in the third quarter of this year, which is this current quarter. How should we think about potential revenue generation from this opportunity?

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Okay. So, first of all, let me speak to interest level. I got to give the customer credit. These things have – we've been working on different versions of these things for 10 years. So, it's – while they...

Operator: Ladies and gentlemen, this is the operator. We're experiencing some technical difficulties. Please stay on the line. We will resume momentarily.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Thanks.

Operator: Ladies and gentlemen, thank you for standing by. We will now resume.

Roderick A. Larson
President, Chief Executive Officer & Director, Oceaneering International, Inc.

A

Hey, small technical difficulties there. But Mike, everything else we do, we had a backup. So Eddie, I would say and when I think about what the government's been doing, they've been working on this stuff for a long time. I mean, we've been involved in different projects for more than 10 years. So, I give them credit for that. But right now, is one of the first times we've actually seen this technology being used out in the open, right? In both the Gulf and in some of the aerial stuff we've seen in Ukraine. So, but definitely, is there more interest? Sure. I think, one of the things is a lot of what we're seeing now is the surface vessels are getting a lot of play and that everybody thinks, well, we want to be – have the underwater stuff as well. So that does add a little – adds a little interest as well. So yeah, I think that's good.

Revenue question. This program is really just about delivering the design. So until we sort of see where it is – what does the design look like, what's the use case look like, what's the budget looked like, everything else, I can't really say what comes after this yet, but we're very confident that the design is going to be good. And if the customer has the budget, the use case, well, we'll see what comes next.

Edward Kim
Analyst, Barclays Capital, Inc.

Q

I'll turn it back.

Operator: And that concludes our question-and-answer period. I will now turn the call back over to Mr. Rod Larson for some final closing comments.

Roderick A. Larson

President, Chief Executive Officer & Director, Oceaneering International, Inc.

Well, since there are no more questions, I'll just wrap up by thanking everybody for joining the call. This concludes our second quarter 2026 conference call. Have a great day.

Operator: And you may now disconnect.