

OCEANEERING INTERNATIONAL INC

Form 10-K

February 28, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-10945

OCEANEERING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	95-2628227
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11911 FM 529	77041
Houston, Texas	
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 329-4500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.25 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Aggregate market value of the voting stock held by nonaffiliates of the registrant computed by reference to the closing price of \$25.46 of the Common Stock on the New York Stock Exchange as of June 29, 2018, the last business day of the registrant's most recently completed second quarter: \$2.5 billion

Number of shares of Common Stock outstanding at February 22, 2019: 98,838,122.

Documents Incorporated by Reference:

Portions of the proxy statement relating to the registrant's 2019 annual meeting of shareholders, to be filed on or before April 30, 2019 pursuant to Regulation 14A of the Securities Exchange Act of 1934, are incorporated by reference to the extent set forth in Part III, Items 10-14 of this report.

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Oceaneering International, Inc.

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PART I

Item 1. Business.

GENERAL DEVELOPMENT OF BUSINESS

Oceaneering International, Inc. is a global provider of engineered services and products, primarily to the offshore oil and gas industry. Oceaneering also serves the offshore renewables, defense, aerospace and commercial theme park industries. Oceaneering was organized as a Delaware corporation in 1969 out of the combination of three diving service companies founded in the early 1960s. Since our establishment, we have concentrated on the development and marketing of underwater services and products to meet customer needs requiring the use of advanced technology. We believe we are one of the world's largest underwater services contractors. The services and products we provide to the energy industry include remotely operated vehicles, specialty subsea hardware, engineering and project management, subsea intervention services, including manned diving, survey and positioning services, seabed preparation and asset integrity and nondestructive testing services. Our foreign operations, principally in the North Sea, Africa, Brazil, Australia and Asia, accounted for approximately 50% of our revenue, or \$1.0 billion, for the year ended December 31, 2018.

Our business segments are contained within two businesses – services and products provided primarily to the oil and gas industry, and to a lesser extent, the offshore renewables industry ("Energy Services and Products") and services and products provided to non-energy industries ("Advanced Technologies"). Our four business segments within the Energy Services and Products business are Remotely Operated Vehicles ("ROVs"), Subsea Products, Subsea Projects and Asset Integrity. We report our Advanced Technologies business as one segment. Unallocated Expenses are expenses not associated with a specific business segment. These consist of expenses related to our incentive and deferred compensation plans, including restricted stock and bonuses, as well as other general expenses.

Energy Services and Products. The primary focus of our Energy Services and Products business over the last several years has been toward increasing our asset base and capabilities for providing services and products for offshore operations and subsea completions. In recent years, we have focused on increasing our service and product offerings toward our oil and gas customers' operating expenses and the offshore renewable energy market.

During the past ten years, we have acquired businesses to expand and complement our service and product offerings. These include:

- a Canadian manufacturer of clamp connectors, check valves and universal ball joints;
- a Norwegian-based provider of inspection, maintenance, subsea engineering and field operations services, principally to the oil and gas industry;
- a Norwegian rental provider of specialized subsea dredging equipment, including ROV-deployed units, to the offshore oil and gas industry;
- a Norwegian oilfield technology company specializing in providing subsea tooling services and plugging, abandonment and decommissioning of offshore oil and gas production platforms and subsea wellheads;
- a Norwegian design and fabrication company specializing in subsea tools for the offshore oil and gas industry;
- a U.S.-based international provider of survey and positioning services;
- a business that uses ROVs to perform surveys on mobile offshore drilling units and floating production systems that satisfy the underwater inspection in lieu of drydocking (UWILD) requirements of all major classification societies;
- the assets of a provider of riserless light well intervention services;
- a majority interest in an Azerbaijani company that supports the provision of ROV and diving services in the Caspian Sea region; and
- a U.K. company that builds and operates tools for seabed preparation, route clearance and trenching for the installation of submarine cables and pipelines.

ROVs. We provide ROVs, which are tethered submersible vehicles remotely operated from the surface, to customers in the energy industry for drilling support and vessel-based services, including

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subsea hardware installation, construction, pipeline inspection, survey and facilities inspection, maintenance and repair. We design and build our new ROVs at in-house facilities, the largest of which is in Morgan City, LA. In 2018, we added six ROVs to our fleet and retired ten. Our work-class ROV fleet size was 275 at December 31, 2018, 279 at December 31, 2017 and 280 at December 31, 2016. We have decreased our ROV fleet size over the last four years as a result of lower market demand.

Subsea Products. Our Subsea Products segment consists of two business units: (1) manufactured products; and (2) service and rental. Manufactured products include production control umbilicals and specialty subsea hardware. Service and rental includes tooling, subsea work systems and installation and workover control systems, which we design and build but operate as a service.

We provide various types of subsea umbilicals through our Umbilical Solutions division from plants in the United States, Scotland and Brazil. Offshore operators use umbilicals to control subsea wellhead hydrocarbon flow rates, monitor downhole and wellhead conditions and perform chemical injection. Subsea umbilicals are also used to provide power and fluids to other subsea processing hardware, including pumps and gas separation equipment.

In 2016, we acquired the assets of Blue Ocean Technologies, LLC, a privately held provider of riserless light well intervention ("RLWI") services. Subsea well intervention services are intended to maximize production and increase the recovery rate from offshore oil and gas reservoirs or, alternatively, prepare wells to be plugged and abandoned. These RLWI systems have the capability to perform a wide variety of cost-effective services for well interventions, including well diagnostics, damaged well remediation and workovers, and well plugging and abandonment.

Subsea Projects. Our Subsea Projects segment consists of our subsea installation, inspection, diving, maintenance and repair services, principally in the U.S. Gulf of Mexico and offshore Angola and India, utilizing a fleet consisting of two owned and one chartered dynamically positioned deepwater vessels with integrated high-specification work-class ROVs onboard, and four owned shallow water diving and survey vessels, other spot-chartered vessels and other assets. Our owned vessels are Jones Act-compliant. The dynamically positioned vessels are equipped with thrusters that allow them to maintain a constant position at a location without the use of anchors. They are used in the inspection, maintenance and repair of subsea facilities, pipeline or flowline tie-ins, pipeline crossings and installations. These vessels can also carry and install equipment or umbilicals required to bring subsea well completions into production (tie-back to production facilities). With our acquisitions of C & C Technologies, Inc. ("C&C") in 2015 and Ecosse Subsea Limited ("Ecosse") in 2018, further described below, we provide survey services and route clearance and trenching services.

We previously had several deepwater vessels under long-term charter. The last of our long term charters expired in March 2018. With the current market conditions, our philosophy is to attempt to charter vessels for specific projects on a back-to-back basis with the vessel owners. This generally minimizes our contract exposure by closely matching our obligations with our revenue. Unless indicated otherwise, each of the chartered vessels discussed below is a deepwater multiservice subsea support vessel outfitted with two of our high-specification work-class ROVs.

In 2012, we moved the chartered vessel Ocean Intervention III to Angola and also chartered the Bourbon Oceanteam 101 to work on a three-year field support vessel services contract for a unit of BP plc. We had extended the charter of the Bourbon Oceanteam 101 to January 2017. However, in early 2016, the customer exercised its right, under the field support vessel services contract, to terminate its use of the Bourbon Oceanteam 101 at the end of May 2016. Under the terms of the contract, the costs incurred by us associated with the early release and demobilization of the vessel were reimbursed by the customer. Following the release of the vessel, we redelivered it to the vessel supplier. The charter for the Ocean Intervention III expired at the end of July 2017. Under the field support vessel services contract, which was extended through January 2019 and subsequently renewed under a new contract through January 2022, we are continuing to supply project management and engineering services. We also provide ROV tooling and asset integrity services as requested by the customer. Chartered vessels and barges are provided to the customer upon request.

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In March 2013, we commenced a five-year bareboat charter for a Jones Act-compliant multiservice support vessel, the Ocean Alliance, we have been using in the U.S. Gulf of Mexico. In January 2015, we commenced a two-year contract with a customer for the use of the Ocean Alliance which expired in January 2017. We returned the Ocean Alliance to the vessel owner in the first quarter of 2018 and continue to market the vessel, now renamed Cade Candies, for spot market work in the U.S. Gulf of Mexico on a back-to-back basis with the owner.

In December 2013, we commenced a three-year charter for the Normand Flower, a multiservice subsea marine support vessel. We made modifications to the vessel and used the vessel in the U.S. Gulf of Mexico to perform inspection, maintenance and repair projects and hardware installations. In December 2016, we declined our option to extend the charter and the vessel was released.

In November 2015, we commenced a two-year charter for the use of the Island Pride, a multiservice subsea marine support vessel. We used the vessel under a two-year contract to provide field support services off the coast of India for an oil and gas customer based in India. In November 2017, that field services contract expired and we declined our option to extend the vessel charter.

We also charter or lease vessels on a short-term basis as necessary to augment our fleet.

In 2010, we acquired a vessel, which we renamed the Ocean Patriot, and we have converted it to a dynamically positioned saturation diving and ROV service vessel. We installed a 12-man saturation ("SAT") diving system and one work-class ROV on the vessel, and we placed the vessel into service in December 2011.

During the third quarter of 2013, we signed an agreement with a shipyard for the construction of a subsea support vessel, to be named the Ocean Evolution. We expect to take delivery in the first quarter and place the vessel into service in the second quarter of 2019. We intend for the vessel to be U.S. flagged and documented with a coastwise endorsement by the U.S. Coast Guard. The vessel has an overall length of 353 feet, a Class 2 dynamic positioning system, accommodations for 110 personnel, a helideck, a 250-ton active heave-compensated crane, a working moonpool, and two of our high specification 4,000 meter work-class ROVs. The vessel is also equipped with a satellite communications system capable of transmitting streaming video for real-time work observation by shore personnel. We anticipate the vessel will be used to augment our ability to provide subsea intervention services in the U.S. Gulf of Mexico. These services are required to perform inspection, maintenance and repair projects and hardware installations.

In 2015, we acquired C&C, now known as Oceaneering Survey Services, for approximately \$224 million. Our survey business is a global provider of ocean-bottom mapping services, utilizing customized autonomous underwater vehicles, and provides marine construction surveys for both surface and subsea assets, as well as satellite-based positioning services for drilling rigs and seismic and construction vessels. It also provides near-shore survey services along the U.S. Gulf Coast and in Mexico, and performs shallow water conventional geophysical surveys in the U.S. Gulf of Mexico.

In March 2018, we acquired Ecosse for approximately \$68 million. Ecosse builds and operates seabed preparation, route clearance and trenching tools for submarine cables and pipelines on an integrated basis that includes vessels, ROVs and survey services. Enabling technologies acquired in the transaction include Ecosse's modular seabed system, capable of completing the entire trenching work scope (route preparation, boulder clearance, trenching and backfill), and its newly developed trenching system. These systems primarily serve the shallow water offshore renewables market.

Asset Integrity. Through our Asset Integrity division, we provide asset integrity management, corrosion management, inspection, and non-destructive testing services, principally to customers in the oil and gas, power generation, and petrochemical industries. We perform these services on both onshore and offshore facilities, both topside and subsea. General. During the last five years, we have also made several small acquisitions to add complementary technology or niche markets. We intend to continue our strategy of acquiring, as opportunities arise, additional assets or businesses, to improve our market position or expand into related service and product lines.

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Advanced Technologies. Our Advanced Technologies segment consists of two business units: (1) government; and (2) commercial. Government services and products include engineering and related manufacturing in defense and space exploration activities, principally to U.S. Government agencies and their prime contractors. Our commercial business unit offers a turnkey solution that includes program management, engineering design, fabrication/assembly and installation to the commercial theme park industry and mobile robotics solutions including automated guided vehicle technology to a variety of industries.

DESCRIPTION OF BUSINESS**Energy Services and Products**

Our Energy Services and Products business consists of ROVs, Subsea Products, Subsea Projects and Asset Integrity. ROVs. ROVs are tethered submersible vehicles remotely operated from the surface. We use our ROVs in the offshore energy industry to perform a variety of underwater tasks, including drill support, vessel-based inspection, maintenance and repair, installation and construction support, pipeline inspection and surveys, and subsea production facility operation and maintenance. Work-class ROVs are outfitted with manipulators, sonar and video cameras, and can operate specialized tooling packages and other equipment or features to facilitate the performance of specific underwater tasks. At December 31, 2018, we owned 275 work-class ROVs. We believe we operate the largest fleet of ROVs in the world. We also believe we are the industry leader in providing ROV services for drill support, with an estimated 62% market share at the end of 2018.

	Amount	Percent of Total Revenue	
	(in thousands)		
2018	\$ 394,801	21 %	
2017	393,655	21 %	
2016	522,121	23 %	

Subsea Products. We construct a variety of specialty subsea hardware and provide related services. These include:

- various types of subsea umbilicals utilizing steel tubes and thermoplastic hoses, along with termination assemblies;
- tooling, ROV tooling and subsea work packages;
- production control equipment;
- installation and workover control systems ("IWOCS");
- riserless light well intervention services
- clamp connectors;
- pipeline connector and repair systems;
- subsea and topside control valves; and
- subsea chemical injection valves.

Offshore well operators use subsea umbilicals and production control equipment to control subsea wellhead hydrocarbon flow, monitor downhole and wellhead conditions and perform chemical injection. They are also used to provide power and fluids to other subsea processing hardware, including pumps and gas/oil separation equipment. ROV tooling provides an additional operational interface between an ROV and permanently installed equipment located on the sea floor. Riserless light well intervention services, IWOCS and subsea work packages facilitate well and associated equipment intervention for the purposes of flow remediation and well stimulation.

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Subsea Products revenue:	Amount	Percent of Total Revenue
	(in thousands)	
2018	\$ 515,000	27 %
2017	625,513	33 %
2016	692,030	30 %

Subsea Projects. We perform subsea oilfield hardware installation and inspection, maintenance and repair services. We provide seabed preparation, route clearance and trenching services for submarine cables in renewable energy markets. We service offshore projects with dynamically positioned vessels that typically have Oceaneering ROVs onboard. We service shallow water projects with our manned diving operation utilizing dive support vessels and saturation diving systems.

We perform subsea intervention and hardware installation services, principally in the U.S. Gulf of Mexico, offshore Angola and offshore India from multiservice vessels that have Oceaneering ROVs onboard. These services include: subsea well tie-backs; pipeline/flowline tie-ins and repairs; pipeline crossings; umbilical and other subsea equipment installations; subsea intervention; and inspection, maintenance and repair activities.

We service oil and gas industry shallow water projects in the U.S. Gulf of Mexico and offshore Angola with our manned diving operation utilizing the traditional diving techniques of air, mixed gas and saturation diving, all of which use surface-supplied breathing gas. We supply our diving services from four owned diving support vessels and other vessels and facilities. We do not use traditional diving techniques in water depths greater than 1,000 feet. We also provide survey services and route clearance and trenching services.

Subsea Projects revenue:	Amount	Percent of Total Revenue
	(in thousands)	
2018	\$ 329,163	17 %
2017	291,993	15 %
2016	472,979	21 %

Asset Integrity. Through our Asset Integrity division, we offer a wide range of asset integrity services to customers worldwide to help ensure the safety of their facilities onshore and offshore, while reducing their unplanned maintenance and repair costs. We also provide third-party inspections to satisfy contractual structural specifications, internal safety standards or regulatory requirements. We provide these services principally to customers in the oil and gas, petrochemical and power generation industries. In the U.K., we provide Independent Inspection Authority services for the oil and gas industry, which include first-pass integrity evaluation and assessment and nondestructive testing services. We use a variety of technologies to perform pipeline inspections, both onshore and offshore.

Asset Integrity revenue:	Amount	Percent of Total Revenue
	(in thousands)	
2018	\$ 253,886	13 %
2017	236,778	12 %
2016	275,397	12 %

Advanced Technologies

Our Advanced Technologies segment provides engineering services and manufacturing to the U.S. Department of Defense, NASA and major government contractors. We also provide integrated mobile robotic system solutions to domestic and international theme parks, automotive manufacturers and retail warehousing. We work with our customers to understand their specialized requirements, identify and mitigate risks, and provide them value-added, maintainable, safe and certified solutions. The segment's largest customer is the U.S. Navy, for whom we perform

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engineering services, prototype design building services and repair and maintenance services on submarines and surface ships.

We provide support for the U.S. Navy, including underwater operations, data analysis, the design and development of new underwater tools and systems, and the development of the control software to operate those systems. We also install and maintain mechanical systems for the Navy's submarines and surface ships. We support space exploration and technology development by providing our products and services to NASA and aerospace contractors. Our U.S. Navy and NASA-related activities substantially depend on continued government funding.

For commercial markets, we provide engineering services and we manufacture patented motion-based “dark ride” vehicle systems and innovative customized robotic and mechanical solutions to the commercial theme park industry. For automotive manufacturers and retail warehousing markets, we develop, implement and maintain innovative, turnkey logistic solutions based on automated guided vehicle technology. Our commercial-related products and services are sold into both domestic and international markets.

Advanced Technologies revenue:	Amount	Percent of Total Revenue	
	(in thousands)		
2018	\$ 416,632	22	%
2017	373,568	19	%
2016	309,076	14	%

MARKETING

Energy Services and Products. Oil and gas exploration and development expenditures fluctuate from year to year. In particular, budgetary approval for more expensive drilling and production in deepwater, an area in which we have a high degree of focus, may be postponed or suspended during periods when exploration and production companies reduce their offshore capital spending. In recent years, we have focused on increasing our service and product offerings toward our oil and gas customers' operating expenses and the offshore renewable energy market.

We market our ROVs, Subsea Products, Subsea Projects and Asset Integrity services and products to domestic, international and foreign national oil and gas companies engaged in offshore exploration, development and production. We also provide services and products as a subcontractor to other oilfield service companies operating as prime contractors. Customers for these services typically award contracts on a competitive-bid basis. These contracts are typically less than one year in duration, although we enter into multi-year contracts from time to time.

In connection with the services we perform in our Energy Services and Products business, we generally seek contracts that compensate us on a dayrate basis. Under dayrate contracts, the contractor provides the ROV, vessel or equipment and the required personnel to operate the unit and compensation is based on a rate per day for each day the unit is used. The typical dayrate depends on market conditions, the nature of the operations to be performed, the duration of the work, the equipment and services to be provided, the geographical areas involved and other variables. Dayrate contracts may also contain an alternate, lower dayrate that applies when a unit is moving to a new site or when operations are interrupted or restricted by equipment breakdowns, adverse weather or water conditions or other conditions beyond the contractor's control. Contracts for our product sales are generally for a fixed price.

Advanced Technologies. We market our engineered products and services primarily to U.S. Government agencies and their prime contractors in defense and space exploration activities, and to domestic and international theme park operators, automotive manufacturers and retail warehousing.

Major Customers. Our top five customers in 2018, 2017 and 2016 accounted for 39%, 40% and 43%, respectively, of our consolidated revenue. In 2018, 2017 and 2016, four of our top five customers were oil and gas exploration and production companies served by our Energy Services and Products business segments, with the other one being the U.S. Navy or other parts of the U.S. Government, which is served by our Advanced Technologies segment. During 2018, revenue from one customer, Royal Dutch Shell, accounted for 10% of our total consolidated annual revenue and in

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each of 2017 and 2016, revenue from another customer, BP plc and subsidiaries, accounted for 12% and 18%, respectively, of our total consolidated annual revenue.

Although we do not depend on any one customer, the loss of one of our significant customers could, at least on a short-term basis, have an adverse effect on our results of operations and cash flows.

RAW MATERIALS

Most of the raw materials we use in our manufacturing operations, such as steel in various forms, copper, electronic components and plastics, are available from many sources. However, some components we use to manufacture subsea umbilicals are available from limited sources. With the exception of certain kinds of steel tube, where we are limited in the number of available suppliers, we can offer alternative materials or technologies in many cases, which depends on the requisite approval of our customers. Currently, we are experiencing limited steel tube availability, due to several large project requirements, coupled with suppliers having reduced capacity during the industry downturn. We believe we have secured sufficient steel tubes to satisfy existing backlog and anticipated orders to be produced in 2019. We believe the situation is temporary and will resolve itself as the industry returns to a more normal run rate.

COMPETITION

Our businesses operate in highly competitive industry segments.

Energy Services and Products

We are one of several companies that provide underwater services and specialty subsea hardware on a worldwide basis. We compete for contracts with companies that have worldwide operations, as well as numerous others operating locally in various areas. We believe that our ability to provide a wide range of underwater services and products on a worldwide basis enables us to compete effectively in all phases of the offshore oilfield life cycle. In some cases involving projects that require less sophisticated equipment, small companies have been able to bid for contracts at prices uneconomical to us. Additionally, in some jurisdictions we are subject to foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These regulations may adversely affect our ability to compete. ROVs. We believe we are the world's largest owner/operator of work-class ROVs employed in energy related operations. At December 31, 2018, we owned 275 work-class ROVs, and we estimate that this represented approximately 25% of the work-class ROVs utilized in the oilfield service industry. We compete with several major companies on a worldwide basis and with numerous others operating locally in various areas.

Competition for ROV services historically has been based on equipment availability, location of or ability to deploy the equipment, quality of service and price. The relative importance of these factors can vary over time based on market conditions. The ability to develop improved equipment and techniques and to train and retain skilled personnel is also an important competitive factor in our markets. Demand for ROVs has been decreasing since mid 2014 due to the oil price environment, and our margins have decreased in recent periods due to lower utilization and pricing pressure, as price has become a more important factor in the current market environment.

Subsea Products. There are many competitors offering specialized products and services. We are one of several companies that compete on a worldwide basis for the provision of steel tube and thermoplastic control umbilicals, and compared to current and forecasted market demand, we are faced with overcapacity in the umbilical manufacturing market.

Subsea Projects. We perform subsea intervention and hardware installation services, principally in the U.S. Gulf of Mexico, offshore Angola and the North Sea, from multiservice deepwater vessels. We are one of many companies that offer these services. In general, our competitors can move their vessels to where we operate from other locations with relative ease. Our survey and positioning services, along with our seabed preparation, route clearance and trenching services, operate in a

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similar competitive environment. We also have many competitors that supply commercial diving services to the oil and gas industry in the U.S. Gulf of Mexico.

Asset Integrity. The worldwide asset integrity and inspection markets consist of a wide range of inspection and certification requirements in many industries. We compete in only selected portions of this market. We believe that our broad geographic sales and operational coverage, long history of operations, technical reputation, application of various pipeline inspection technologies and accreditation to international quality standards enable us to compete effectively in our selected asset integrity and inspection services market segments.

Advanced Technologies

Engineering services is a very broad market with a large number of competitors. We compete in specialized areas in which we can combine our extensive program management experience, mechanical engineering expertise and the capability to continue the development of conceptual project designs into the manufacture of custom equipment for customers.

SEASONALITY AND BACKLOG

We generate a material amount of our consolidated revenue from contracts for services in the U.S. Gulf of Mexico in our Subsea Projects segment, which is usually more active in the second and third quarters, as compared to the rest of the year. The European operations of our Asset Integrity segment are also seasonally more active in the second and third quarters. Revenue in our ROV segment is subject to seasonal variations in demand, with our first quarter generally being the low quarter of the year. The level of our ROV seasonality depends on the number of ROVs we have engaged in vessel-based subsea infrastructure inspection, maintenance, repair and installation, which is more seasonal than drilling support. Revenue in each of our Subsea Products and Advanced Technologies segments generally has not been seasonal.

The amounts of backlog orders we believed to be firm as of December 31, 2018 and 2017 were as follows (in millions):

	As of December 31, 2018		As of December 31, 2017	
	Total	1+ yr*	Total	1+ yr*
Energy Services and Products				
ROVs	\$497	\$ 219	\$432	\$ 198
Subsea Products	332	96	276	50
Subsea Projects	76	7	153	38
Asset Integrity	248	5287	301	111
Total Energy Services and Products	1,153	409	1,162	397
Advanced Technologies	312	51	218	47
Total	\$1,465	\$ 460	\$1,380	\$ 444

* Represents amounts that were not expected to be performed within one year.

No material portion of our business is subject to renegotiation of profits or termination of contracts by the U.S. government.

PATENTS AND LICENSES

We currently hold numerous U.S. and foreign patents and pending patent applications. We have acquired patents and licenses and granted licenses to others when we have considered it advantageous for us to do so. Although in the aggregate our patents and licenses are important to us, we do not regard any single patent or license or group of related patents or licenses as critical or essential to our business as a whole. In general, we depend on our technological capabilities and the application of know-how rather than patents and licenses in the conduct of our operations.

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REGULATION

Our operations are affected from time to time and in varying degrees by foreign and domestic political developments and foreign, federal and local laws and regulations, including those relating to:

- operating from and around offshore drilling, production and marine facilities;
- national preference for local equipment and personnel;
- marine vessel safety;
- protection of the environment;
- workplace health and safety;
- data privacy;
- taxation;
- license requirements for exportation of our equipment and technology; and
- currency conversion and repatriation.

In addition, our Energy Services and Products business primarily depends on the demand for our services and products from the oil and gas industry and, therefore, is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry generally. The adoption of laws and regulations curtailing offshore exploration and development drilling for oil and gas for economic and other policy reasons would adversely affect our operations by limiting demand for our services. We cannot determine the extent to which new legislation, new regulations or changes in existing laws or regulations may affect our future operations.

Our operations and properties are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, companies may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. These laws and regulations may also expose us to liability for the conduct of or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time such acts were performed.

Environmental laws and regulations that apply to our operations include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act (each, as amended) and similar laws that provide for responses to, and liability for, releases of hazardous substances into the environment. Environmental laws and regulations also include similar foreign, state or local counterparts to the above-mentioned federal laws, which regulate air emissions, water discharges, hazardous substances and waste, and require public disclosure related to the use of various hazardous substances. Our operations are also governed by laws and regulations relating to workplace safety and worker health, primarily, in the United States, the Occupational Safety and Health Act and regulations promulgated thereunder.

Compliance with federal, state and local provisions regulating the discharge of materials into the environment or relating to the protection of the environment has not had a material impact on our capital expenditures, earnings or competitive position. We cannot predict all of the environmental requirements or circumstances that will exist in the future but anticipate that environmental control and protection standards will become increasingly stringent and costly. Based on our experience to date, we do not currently anticipate any material adverse effect on our business or consolidated financial position, results of operations or cash flows as a result of future compliance with existing environmental laws and regulations. However, future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies, or stricter or different interpretations of existing laws and regulations, may require additional expenditures by us, which may be material. Accordingly, there can be no assurance that we will not incur significant environmental compliance costs in the future.

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Our quality management systems are registered as being in conformance with ISO 9001:2015 and cover:

• all our Energy Services and Products services and products in the United Kingdom (the "U.K.") and Norway;
• our Remotely Operated Vehicle operations in the U.S. Gulf of Mexico, the U.K., Norway, Brazil, Canada, the Middle East, Australia and Asia;
• our Asset Integrity operations in the Western Hemisphere, the Middle East, Australia, the United States and Indonesia;
• our Subsea Projects operations;
• our Subsea Products segment; and
• the Oceaneering Space Systems, Oceaneering Technologies, Entertainment and Marine Services units of our Advanced Technologies segment.

ISO 9001 is an internationally recognized system for quality management established by the International Standards Organization, and the 2015 edition emphasizes customer satisfaction, risk assessment and continual improvement.

EMPLOYEES

As of December 31, 2018, we had approximately 8,600 employees. Our workforce varies seasonally and peaks during the second and third quarters. We consider our relations with our employees to be satisfactory.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf make forward-looking statements to inform existing and potential security holders about our company. These statements may include projections and estimates concerning the timing and success of specific projects and our future orders, revenue, income and capital spending. Forward-looking statements are generally accompanied by words such as "estimate," "plan," "project," "predict," "believe," "expect," "anticipate," "plan," "forecast," "budget," "goal," "may," "should," or other words that convey the uncertainty of future events or outcomes. In addition, sometimes we will specifically describe a statement as being a forward-looking statement and refer to this cautionary statement.

In addition, various statements this report contains, including those that express a belief, expectation or intention are forward-looking statements. Those forward-looking statements appear in Part I of this report in Item 1 – "Business," Item 2 – "Properties" and Item 3 – "Legal Proceedings" and in Part II of this report in Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7A – "Quantitative and Qualitative Disclosures About Market Risk" and in the Notes to Consolidated Financial Statements incorporated into Item 8 and elsewhere in this report. These forward-looking statements speak only as of the date of this report, we disclaim any obligation to update these statements, and we caution you not to rely unduly on them. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

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factors affecting the level of activity in the energy industry, including worldwide demand for and prices of oil and natural gas, oil and natural gas production growth and the supply and demand of offshore drilling rigs; decisions about offshore developments to be made by oil and gas exploration, development and production companies; decisions about offshore developments to be made by offshore renewables companies; the use of subsea completions and our ability to capture associated market share; general economic and business conditions and industry trends; the strength of the industry segments in which we are involved; cancellations of contracts, change orders and other contractual modifications and the resulting adjustments to our backlog; collections from our customers; the levels of oil and gas production to be processed by the Medusa field production spar platform; our future financial performance, including as a result of the availability, terms and deployment of capital; the consequences of significant changes in currency exchange rates; the volatility and uncertainties of credit markets; changes in tax laws, regulations and interpretation by taxing authorities; changes in, or our ability to comply with, other laws and governmental regulations, including those relating to the environment; the continued availability of qualified personnel; our ability to obtain raw materials and parts on a timely basis and, in some cases, from limited sources; operating risks normally incident to offshore exploration, development and production operations; hurricanes and other adverse weather and sea conditions; cost and time associated with drydocking of our vessels; the highly competitive nature of our businesses; adverse outcomes from legal or regulatory proceedings; the risks associated with integrating businesses we acquire; the risks associated with the use of complex information technology systems, including cybersecurity risks and the risks associated with failures to protect data privacy in accordance with applicable legal requirements and contractual provisions binding upon us; rapid technological changes; and social, political, military and economic situations in foreign countries where we do business and the possibilities of civil disturbances, war, other armed conflicts or terrorist attacks.

We believe the items we have outlined above are important factors that could cause our actual results to differ materially from those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf. We have discussed most of these factors in more detail elsewhere in this report. These factors are not necessarily all the factors that could affect us. Unpredictable or unanticipated factors we have not discussed in this report could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update our description of important factors each time a potential important factor arises. We advise our security holders that they should (1) be aware that important factors we do not refer to above could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements.

AVAILABLE INFORMATION

Our Web site address is www.oceaneering.com. We make available through this Web site under "Investor Relations — SEC Financial Reports," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and Section 16 filings by our directors and executive officers as soon as reasonably practicable after we, or our executive officers or directors, as the case may be, electronically file those materials with, or furnish those materials to, the SEC. In addition, the SEC maintains a Web site, www.sec.gov, which contains reports, proxy and other information statements, and other information regarding issuers that file electronically with the SEC.

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We have adopted, and posted on our Web site: our corporate governance guidelines; a code of ethics for our Chief Executive Officer and Senior Financial Officers; and charters for the Audit, Nominating and Corporate Governance and Compensation Committees of our Board of Directors.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive Officers. The following information relates to our executive officers as of February 22, 2019:

NAME	AGE	POSITION	EXECUTIVE OFFICER SINCE	EMPLOYEE SINCE
Roderick A. Larson	52	President and Chief Executive Officer and Director	2012	2012
Clyde W. Hewlett	64	Chief Operating Officer	2011	1988
Alan R. Curtis	53	Senior Vice President and Chief Financial Officer	2015	1995
David K. Lawrence	59	Senior Vice President, General Counsel and Secretary	2012	2005
Stephen P. Barrett	61	Senior Vice President, Business Development	2015	2015
W. Cardon Gerner	64	Senior Vice President and Chief Accounting Officer	2006	2006
William J. Boyle	58	Senior Vice President, Asset Integrity	2016	2016
Philip G. Beierl	60	Senior Vice President, Advanced Technologies	2018	2005
Martin J. McDonald	55	Senior Vice President, Remotely Operated Vehicles	2015	1989
Eric A. Silva	59	Senior Vice President, Operations Support	2017	2014

Each executive officer serves at the discretion of our Chief Executive Officer and our Board of Directors and is subject to reelection or reappointment each year after the annual meeting of our shareholders. We do not know of any arrangement or understanding between any of the above persons and any other person or persons pursuant to which he was selected or appointed as an officer.

Business Experience. The following summarizes the business experience of our executive officers. Except where we otherwise indicate, each of these persons has held his current position with Oceaneering for at least the past five years. Roderick A. Larson joined Oceaneering in May 2012 as Senior Vice President and Chief Operating Officer, became President in February 2015 and became President and Chief Executive Officer and Director in May 2017. Mr. Larson previously held positions with Baker Hughes Incorporated from 1990 until he joined Oceaneering, serving most recently as President, Latin America Region from January 2011. Previously, he served as Vice President of Operations, Gulf of Mexico Region from 2009 to 2011, Gulf Coast Area Manager from 2007 to 2009, and Special Projects Leader Technical Training Task from 2006 to 2007.

Clyde W. Hewlett, Chief Operating Officer, has extensive experience in the offshore and subsea oilfield markets. He joined Oceaneering in 1988 and has held increasingly responsible positions. He has served as our Vice President of Mobile Offshore Production Systems, Vice President of Subsea Projects, Senior Vice President of Subsea Projects and Senior Vice President, Subsea Services. He was promoted to his current position in August 2015.

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Alan R. Curtis, Senior Vice President and Chief Financial Officer, joined Oceaneering in 1995 as the Financial and Operations Controller for our Subsea Products segment, and became Vice President and Controller of Subsea Products in 2013 and Senior Vice President, Operations Support in 2014. He was appointed to his current position in August 2015.

David K. Lawrence, Senior Vice President, General Counsel and Secretary, joined Oceaneering in 2005 as Assistant General Counsel. He was appointed Associate General Counsel effective January 2011, Vice President, General Counsel and Secretary in January 2012 and to his current position in February 2014. He has over 25 years of experience as in-house counsel in the oilfield services and products industry and manufacturing.

Stephen P. Barrett, Senior Vice President, Business Development, joined Oceaneering in July 2015 as Senior Vice President, Subsea Products. He was appointed to his current position in November 2016. Prior to joining Oceaneering, he served at FMC Technologies beginning in 1982, progressing through a variety of engineering, sales and marketing, and general management roles, most recently as Global Subsea Services Director from 2013 to 2015. W. Cardon Gerner, Senior Vice President and Chief Accounting Officer, joined Oceaneering in 2006 as Vice President and Chief Accounting Officer, and became a Senior Vice President in August 2011 and served as our Chief Financial Officer from that date until August 2015. From 1999 to 2006, he held various financial positions with Service Corporation International, a global provider of death-care services, serving as Vice President Accounting from 2002 to 2006. He also served as Senior Vice President and Chief Financial Officer of Equity Corporation International from 1995 to 1999. He is a Certified Public Accountant.

William J. Boyle, Senior Vice President, Asset Integrity, joined Oceaneering in March 2016. Prior to joining Oceaneering, Mr. Boyle held the position of Chief Executive Officer with Underwater Integrity Solutions from November 2014 until December 2015. Previously, Mr. Boyle held senior leadership positions at Forum Energy Technologies, Inc. from 2013 to 2014, Clough Limited from 2008 to 2012, Subsea 7 S.A. from 2005 to 2008, John Wood Group PLC from 2003 to 2005 and Technip S.A. from 1991 to 2003.

Philip G. Beierl, Senior Vice President, Advanced Technologies joined Oceaneering in 2005. Before joining Oceaneering in 2005, he served as a U.S. Navy diving and salvage officer for over 25 years. He served and held leadership positions in the Oceaneering Technologies unit, most recently as its Vice President and General Manager from August 2014. He was appointed as Vice President, Advanced Technologies in January 2018 and then to his current position in May 2018.

Martin J. McDonald, Senior Vice President, Remotely Operated Vehicles, joined Oceaneering in 1989. He has held a variety of domestic and international positions of increasing responsibility in our ROV segment and most recently served as Vice President and General Manager for our ROV operations in the Eastern Hemisphere from 2006 until being appointed to his current position effective January 2016.

Eric A. Silva, Senior Vice President, Operations Support joined Oceaneering in February 2014 as Chief Information Officer and Vice President. He was appointed to his current position in August 2015 and was appointed an executive officer in 2017. Prior to joining Oceaneering, Mr. Silva was a consultant from May 2012 to February 2014 and served as the Chief Information Officer at El Paso Corporation from 2010 to May 2012. Prior to such time, he was Vice President of Information Technology of LyondellBasell Industries N.V. (formerly LyondellBasell Industries AF S.C.A.) from December 2007 to 2010, and was Vice President of Information Technology of Lyondell Chemical Company from 2002 to 2007.

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Item 1A. Risk Factors.

We are subject to various risks and uncertainties in the course of our business. The following summarizes significant risks and uncertainties that may materially and adversely affect our business, financial condition, results of operations or cash flows and the market value of our securities. Investors in our company should consider these matters, in addition to the other information we have provided in this report and the documents we incorporate by reference. We derive most of our revenue from companies in the offshore oil and gas industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of oil and gas prices.

We derive most of our revenue from customers in the offshore oil and gas exploration, development and production industry. The offshore oil and gas industry is a historically cyclical industry characterized by significant changes in the levels of exploration and development activities. Oil and gas prices, and market expectations of potential changes in those prices, significantly affect the levels of those activities. Worldwide political, economic and military events have contributed to oil and gas price volatility and are likely to continue to do so in the future. Since the general decline in the price of oil from mid 2014, many oil and gas companies made significant reductions in their capital and operating expenditures, which are adversely impacting demand for the services and products provided by our Energy Services and Products business. Any prolonged reduction in the overall level of offshore oil and gas exploration and development activities, whether resulting from changes in oil and gas prices or otherwise, could materially and adversely affect our financial condition and results of operations in our segments within our Energy Services and Products business. Some factors that have affected and are likely to continue affecting oil and gas prices and the level of demand for our services and products include the following:

- worldwide demand for oil and gas;
- general economic and business conditions and industry trends;
- the ability of the Organization of Petroleum Exporting Countries, or OPEC, to set and maintain production levels;
- the level of production by non-OPEC countries, including U.S. shale oil;
- the ability of oil and gas companies to generate funds for capital expenditures;
- domestic and foreign tax policy;
- laws and governmental regulations that restrict exploration and development of oil and gas in various offshore jurisdictions;
- technological changes;
- the political environment of oil-producing regions;
- the price and availability of alternative energy; and
- overall economic conditions.

Our operations could be adversely impacted by the effects of new regulations.

During 2010, the U.S. government established new regulations relating to the design of wells and testing of the integrity of wellbores, the use of drilling fluids, the functionality and testing of well control equipment, including blowout preventers, and other safety and environmental regulations. The U.S. government requires that operators demonstrate their compliance with those regulations before commencing deepwater drilling operations. Changes in laws or regulations regarding offshore oil and gas exploration and development activities, the cost or availability of insurance and the impacts of these factors on decisions by customers or other industry participants could further reduce demand for our services, which would have a negative impact on our operations.

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Our international operations involve additional risks not associated with domestic operations.

A significant portion of our revenue is attributable to operations in foreign countries. These activities accounted for approximately 50% of our consolidated revenue in 2018. Risks associated with our operations in foreign areas include risks of:

- regional and global economic downturns;
- disturbances or other risks that may limit or disrupt markets;
- expropriation, confiscation or nationalization of assets;
- renegotiation or nullification of existing contracts;
- foreign exchange restrictions;
- foreign currency fluctuations, particularly in countries highly dependent on oil revenue;
- foreign taxation, including the application and interpretation of tax laws;
- the inability to repatriate earnings or capital;
- changing political conditions;
- changing foreign and domestic monetary policies; and

• social, political, military and economic situations in foreign areas where we do business and the possibilities of civil disturbances, war, other armed conflict, terrorist attacks or acts of piracy.

Additionally, in some jurisdictions we are subject to foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These regulations may adversely affect our ability to compete.

Our exposure to the risks we described above varies from country to country. In recent periods, economic conditions, political instability and civil unrest in Africa have been our greatest concerns. There is a risk that a continuation or worsening of these conditions could materially and adversely impact our future business, operations, financial condition and results of operations. Of our total consolidated revenue for 2018, we generated approximately 13% from our operations in Africa, primarily in Angola.

Foreign exchange risks and fluctuations may affect our profitability on certain projects.

We operate on a worldwide basis with substantial operations outside the U.S. that subject us to U.S. dollar translation and economic risks. In order to manage some of the risks associated with foreign currency exchange rates, we may enter into foreign currency derivative (hedging) instruments, especially when there is currency risk exposure that is not naturally mitigated via our contracts. However, these actions may not always eliminate all currency risk exposure, in particular for our long-term contracts. A disruption in the foreign currency markets, including the markets with respect to any particular currencies, could adversely affect our hedging instruments and subject us to additional currency risk exposure. Based on fluctuations in currency, the U.S. dollar value of our backlog may from time to time increase or decrease significantly. We do not enter into derivative instruments for trading or other speculative purposes. Our operational cash flows and cash balances, though predominately held in U.S. dollars, may consist of different currencies at various points in time in order to execute our contracts globally. Non-U.S. asset and liability balances are subject to currency fluctuations when measured period to period for financial reporting purposes in U.S. dollars.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future revenue and earnings.

There can be no assurance that the revenue included in our backlog will be realized or, if realized, will result in profits. Because of project cancellations or potential changes in the scope or schedule of our customers' projects, we cannot predict with certainty when or if backlog will be realized. Material delays, suspensions, cancellations or payment defaults could materially affect our financial condition, results of operations and cash flows. We may be at risk of delays, suspensions and cancellations in the current market environment.

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Reductions in our backlog due to cancellation by a customer or for other reasons would adversely affect, potentially to a material extent, the revenue and earnings we actually receive from contracts included in our backlog. Many of our ROV contracts have 30-day notice termination clauses. Some of the contracts in our backlog provide for cancellation fees in the event customers cancel projects. These cancellation fees usually provide for reimbursement of our out-of-pocket costs, revenue for work performed prior to cancellation and a varying percentage of the profits we would have realized had the contract been completed. We typically have no contractual right upon cancellation to the total contract revenue as reflected in our backlog. If we experience significant project terminations, suspensions or scope adjustments to contracts reflected in our backlog, our financial condition, results of operations and cash flows may be adversely impacted.

A global financial crisis could impact our business and financial condition in ways that we currently cannot predict. A recurrence of the credit crisis and related turmoil in the global financial system that occurred in 2008 and 2009 could have an impact on our business and our financial condition. In particular, the cost of capital increased substantially while the availability of funds from the capital markets diminished significantly. Although the capital markets have recovered, in a recurrence, our ability to access the capital markets in the future could be restricted or be available only on terms we do not consider favorable. Limited access to the capital markets could adversely impact our ability to take advantage of business opportunities or react to changing economic and business conditions and could adversely impact our ability to continue our growth strategy. Ultimately, we could be required to reduce our future capital expenditures substantially. Such a reduction could have a material adverse effect on our business and our consolidated financial condition, results of operations and cash flows. A recurrence of such a global financial crisis could have further impacts on our business that we currently cannot predict or anticipate.

A global financial crisis or economic recession could have an impact on our suppliers and our customers, causing them to fail to meet their obligations to us, which could have a material adverse effect on our revenue, income from operations and cash flows.

If one or more of the lenders under our revolving credit facility were to become unable or unwilling to perform their obligations under that facility, our borrowing capacity could be reduced. Our inability to borrow under our revolving credit facility could limit our ability to fund our future operations and growth.

In addition, we maintain our cash balances and short-term investments in accounts held by major banks and financial institutions located principally in North America, Europe, Africa and Asia, and some of those accounts hold deposits that exceed available insurance. It is possible that one or more of the financial institutions in which we hold our cash and investments could become subject to bankruptcy, receivership or similar proceedings. As a result, we could be at risk of not being able to access material amounts of our cash, which could result in a temporary liquidity crisis that could impede our ability to fund operations.

Employee, agent or partner misconduct or our overall failure to comply with laws or regulations could weaken our ability to win contracts, which could result in reduced revenue and profits.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one or more of our employees, agents or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with the U.S. Foreign Corrupt Practices Act ("FCPA"), which prohibits companies and their intermediaries from making improper payments to non-U.S. officials, as well as the failure to comply with government procurement regulations, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting and various other applicable laws or regulations, including the U.K. Bribery Act. We operate in some countries that international corruption monitoring groups have identified as having high levels of corruption. Our activities create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of the FCPA or other applicable anti-corruption laws. The precautions we take to prevent and detect misconduct, fraud or non-compliance with applicable laws and regulations may not be effective, and

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we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines, penalties or other sanctions, which could have a material adverse effect on our business and our consolidated financial condition, results of operations and cash flows.

Our business strategy contemplates future acquisitions. Acquisitions of other businesses or assets present various risks and uncertainties.

We may pursue growth through the acquisition of businesses or assets that will enable us to broaden our service and product offerings and expand into new markets. We may be unable to implement this element of our growth strategy if we cannot identify suitable businesses or assets, reach agreement on potential strategic acquisitions on acceptable terms or for other reasons. Moreover, acquisitions involve various risks, including:

- difficulties relating to the assimilation of personnel, services and systems of an acquired business and the assimilation of marketing and other operational capabilities;

- challenges resulting from unanticipated changes in customer and other third-party relationships subsequent to acquisition;

- additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls;

- assumption of liabilities of an acquired business, including liabilities that were unknown at the time the acquisition transaction was negotiated;

- possible liabilities under the FCPA and other anti-corruption laws;

- diversion of management's attention from day-to-day operations;

- failure to realize anticipated benefits, such as cost savings and revenue enhancements;

- potentially substantial transaction costs associated with acquisitions; and

- potential impairment resulting from the overpayment for an acquisition.

Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in goodwill, it will reduce our tangible net worth, which might have an adverse effect on credit availability.

Additionally, an acquisition may bring us into businesses we have not previously conducted and expose us to additional business risks that are different from those we have previously experienced.

Our business strategy also includes development and commercialization of new technologies to support our growth.

The development and commercialization of new technologies require capital investment and involve various risks and uncertainties.

Our future growth will depend on our ability to continue to innovate by developing and commercializing new service and product offerings. Investments in new technologies involve varying degrees of uncertainties and risk. Commercial success depends on many factors, including the levels of innovation, the development costs and the availability of capital resources to fund those costs, the levels of competition from others developing similar or other competing technologies, our ability to obtain or maintain government permits or certifications, the effectiveness of production, distribution and marketing efforts, and the costs to customers to deploy and provide support for the new technologies. We may not achieve significant revenue from new service and product investments for a number of years, if at all. Moreover, new services and products may not be profitable, and, even if they are profitable, our operating margins from new services and products may not be as high as the margins we have experienced historically.

The loss of the services of one or more of our key personnel, or our failure to attract, assimilate and retain trained personnel in the future, could disrupt our operations and result in loss of revenue.

Our success depends on the continued active participation of our executive officers and key operating personnel. The unexpected loss of the services of any one of these persons could adversely affect our operations.

Our operations require the services of employees having the technical training and experience necessary to obtain the proper operational results. As a result, if we should suffer any material loss

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of personnel to competitors or be unable to employ additional or replacement personnel with the requisite level of training and experience to adequately operate our equipment, our operations could be adversely affected. A significant increase in the wages paid by other employers could result in a reduction in our workforce, increases in wage rates, or both.

We may not be able to compete successfully against current and future competitors.

Our businesses operate in highly competitive industry segments. Some of our competitors or potential competitors have greater financial or other resources than we have. Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than those of our services and products. This factor is significant to our segments' operations, particularly in the segments within our Energy Services and Products business, where capital investment is critical to our ability to compete.

We rely on intellectual property law and confidentiality agreements to protect our intellectual property. We also rely on intellectual property we license from third parties. Our failure to protect our intellectual property rights, or our inability to obtain or renew licenses to use intellectual property of third parties, could adversely affect our business. We rely on a variety of intellectual property rights that we use in our services and products, and our success depends, in part, on our ability to protect our proprietary information and other intellectual property. Our intellectual property could be challenged, invalidated, circumvented or rendered unenforceable. In addition, effective intellectual property protection may be limited or unavailable in some foreign countries where we operate.

Our failure to protect our intellectual property rights may result in the loss of valuable technologies or adversely affect our competitive business position. We rely significantly on proprietary technology, information, processes and know-how that are not subject to patent or copyright protection. We seek to protect this information through trade secret or confidentiality agreements with our employees, consultants, subcontractors or other parties, as well as through other security measures. These agreements and security measures may be inadequate to deter or prevent misappropriation of our confidential information. In the event of an infringement of our intellectual property rights, a breach of a confidentiality agreement or divulgence of proprietary information, we may not have adequate legal remedies to protect our intellectual property.

In some instances, we have augmented our technology base by licensing the proprietary intellectual property of third parties. However, it is possible that the tools, techniques, methodologies, programs and components we use to provide our services or products may infringe on the intellectual property rights of others. In the future, we may not be able to obtain necessary licenses on commercially reasonable terms. Royalty payments under licenses from third parties, if available, or developing non-infringing technologies could materially increase our costs. Additionally, if a license or non-infringing technology were not available, we might not be able to continue providing a particular service or product, which could materially and adversely affect our financial condition, results of operations and cash flows. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management's attention away from other aspects of our business. In addition, our trade secrets may otherwise become known or be independently developed by competitors.

Our information technology systems are subject to interruption and cybersecurity risks that could adversely impact our operations.

We continue to evaluate potential replacements or upgrades of existing key information technology systems. The implementation of new information technology systems or upgrades to existing systems subjects us to inherent costs and risks associated with replacing or changing these systems, including potential disruption of our internal control structure, substantial capital expenditures, demands on management time and other risks. Our possible new information technology systems implementations or upgrades may not result in productivity improvements at the levels anticipated, or at all. In addition, the implementation of new or upgraded information technology systems may cause disruptions in our business operations. Any such disruption, and any other information

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technology system disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on our operations.

Our operations (both onshore and offshore) are highly dependent on information technology systems, including systems that collect, organize, store or use personal data. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. In addition, breaches to our systems or third-party systems utilized by us could go unnoticed for some period of time. Risks associated with these threats include disruptions of certain systems on our vessels or utilized to operate our ROVs; other impairments of our ability to conduct our operations; loss of or damage to intellectual property, proprietary information or employee or customer data; disruption of our customers' operations; loss or damage to our customer data delivery systems; and increased costs to prevent, respond to or mitigate cybersecurity incidents. If such a cyber-incident were to occur, it could have a material adverse effect on our business and our consolidated financial condition, results of operations and cash flows. In addition, the regulatory environment surrounding data privacy and protection is evolving and can be subject to significant change. New laws and regulations relating to data privacy and the unauthorized disclosure of confidential information, including the European Union General Data Protection Regulation and recent legislation and regulations adopted in various U.S. jurisdictions, pose complex compliance challenges and may result in increased costs, and any failure to comply with those laws and regulations (or contractual provisions requiring similar compliance), including as a result of security and privacy breaches, could result in negative publicity and significant penalties or other liabilities. Additionally, if we acquire an entity that has violated or is not in compliance with applicable data privacy and protection laws or regulations (or contractual provisions), we may experience similar adverse consequences.

Our offshore oilfield operations involve a variety of operating hazards and risks that could cause losses.

Our operations are subject to the hazards inherent in the offshore oilfield business. These include blowouts, explosions, fires, collisions, capsizings and severe weather conditions. These hazards could result in personal injury and loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage and suspension of operations. We may incur substantial liabilities or losses as a result of these hazards. While we maintain insurance protection against some of these risks, and seek to obtain indemnity agreements from our customers requiring the customers to hold us harmless from some of these risks, our insurance and contractual indemnity protection may not be sufficient or effective to protect us under all circumstances or against all risks. The occurrence of a significant event not fully insured or indemnified against or the failure of a customer to meet its indemnification obligations to us could materially and adversely affect our results of operations and financial condition.

Laws and governmental regulations may add to our costs or adversely affect our operations.

Our business is affected by changes in public policy and by federal, state, local and foreign laws and regulations relating to the offshore oil and gas industry. Offshore oil and gas exploration and production operations are affected by tax, environmental, safety and other laws, by changes in those laws, application or interpretation of existing laws, and changes in related administrative regulations. It is also possible that these laws and regulations may in the future add significantly to our operating costs or those of our customers or otherwise directly or indirectly affect our operations.

Environmental laws and regulations can increase our costs, and our failure to comply with those laws and regulations can expose us to significant liabilities.

Risks of substantial costs and liabilities related to environmental compliance issues are inherent in our operations. Our operations are subject to extensive federal, state, local and foreign laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. Permits are required for the operation of various facilities, and those permits are subject to revocation, modification and renewal.

Governmental authorities have the power to enforce compliance with their regulations, and violations are subject to fines, injunctions or both. In some cases, those governmental requirements can impose liability for the entire cost of cleanup on any responsible party without regard to negligence or fault and impose liability on us for the conduct of or conditions others have caused, or for our acts that complied with all applicable

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requirements when we performed them. It is possible that other developments, such as stricter environmental laws and regulations, and claims for damages to property or persons resulting from our operations, would result in substantial costs and liabilities. Our insurance policies and the contractual indemnity protection we seek to obtain from our customers may not be sufficient or effective to protect us under all circumstances or against all risks involving compliance with environmental laws and regulations.

Our internal controls may not be sufficient to achieve all stated goals and objectives.

Our internal controls and procedures were developed through a process in which our management applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. The design of any system of internal controls and procedures is based, in part, on various assumptions about the likelihood of future events. We cannot assure that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

The use of estimates could result in future adjustments to our assets, liabilities and results of operations.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that our management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Uncertainties in the future interpretation and application of the 2017 U.S. tax reform legislation could materially affect our tax obligations and effective tax rate.

U.S. tax reform legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017, and significantly affected U.S. tax law by changing how the United States imposes income tax on multinational corporations. The U.S. Department of the Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and could impact our results of operations beginning in the period issued. Although we have reflected the effects of the Tax Act in our financial statements, regulatory guidance continues to be issued by the U.S. tax authorities. Any changes in the interpretation of the Tax Act as a result of such future regulatory guidance, which could materially affect our tax obligations and effective tax rate, will be recorded in the period that current or future proposed regulations become law.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our certificate of incorporation authorizes us to issue, without the approval of our shareholders, one or more classes or series of preferred stock having such preferences, powers and relative, participating, optional and other rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

Provisions in our corporate documents and Delaware law could delay or prevent a change in control of our company, even if that change would be beneficial to our shareholders.

The existence of some provisions in our corporate documents and Delaware law could delay or prevent a change in control of our company, even if that change would be beneficial to our shareholders. Our certificate of incorporation and bylaws contain provisions that may make acquiring control of our company difficult, including:

- provisions relating to the classification, nomination and removal of our directors;
- provisions regulating the ability of our shareholders to bring matters for action at annual meetings of our shareholders;

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- provisions requiring the approval of the holders of at least 80% of our voting stock for a broad range of business combination transactions with related persons; and
- the authorization given to our board of directors to issue and set the terms of preferred stock.
- In addition, the Delaware General Corporation Law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

We maintain office, shop and yard facilities in various parts of the world to support our operations. We consider these facilities, which we describe below, to be suitable for their intended use and adequate for our current operations. In these locations, we typically own or lease office facilities for our administrative and engineering staff, shops equipped for fabrication, testing, repair and maintenance activities and warehouses and yard areas for storage and mobilization of equipment to work sites. All sites are available to support any of our business segments as the need arises. The groupings that follow associate our significant offices with the primary business segment they serve.

Energy Services and Products. In general, our Energy Services and Products business segments share facilities. Our location in Morgan City, Louisiana consists of ROV manufacturing and training facilities, vessel docking facilities, open and covered warehouse space and offices. The Morgan City facilities primarily support operations in the United States. We have regional support offices for our North Sea, Africa, Brazil and Southeast Asia operations in: Aberdeen, Scotland; Stavanger and Bergen, Norway; Dubai, U.A.E.; Rio de Janeiro and Macaé, Brazil; Luanda, Angola; Chandigarh, India; Perth, Australia; Kuala Lumpur, Malaysia; Baku, Azerbaijan; and Singapore. We also have operational bases in various other locations.

We use workshop and office space in Houston, Texas in our Subsea Products, Subsea Projects and Asset Integrity business segments. Our principal manufacturing facilities for our Subsea Products segment are located in or near: Houston, Texas; Panama City, Florida; Aberdeen and Rosyth, Scotland; Nodeland and Stavanger, Norway; Perth, Australia; Luanda, Angola; and Niterói and Macaé, Brazil. Each of these manufacturing facilities is suitable for its intended purpose and has sufficient capacity to respond to increases in demand for our subsea products that may be reasonably anticipated in the foreseeable future.

For a description of the vessels we use in our Subsea Projects operations, see the discussion in Item 1. "Business" under the heading "GENERAL DEVELOPMENT OF BUSINESS – Energy Services and Products – Subsea Projects."

Advanced Technologies. Our primary facilities for our Advanced Technologies segment are leased offices and workshops in Hanover, Maryland. We have regional offices in Chesapeake, Virginia; Bremerton, Washington; Pearl Harbor, Hawaii; and San Diego, California, which support our services for the U.S. Navy. We also have an office in Orlando, Florida, which supports our commercial theme park animation activities, facilities in Utrecht, Netherlands, to support robotic activities, and facilities in Houston, Texas, to support our space industry activities.

Item 3. Legal Proceedings.

For information regarding legal proceedings, see the discussion under the caption "Litigation" in Note 7, "Commitments and Contingencies," of our Notes to Consolidated Financial Statements included in this report, which discussion we incorporate by reference into this Item.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange under the symbol OII. Our company Web site address is www.oceaneering.com

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On February 22, 2019, there were 577 holders of record of our common stock. On that date, the closing sales price, as quoted on the New York Stock Exchange, was \$15.80. In 2017, we declared quarterly dividends of \$0.15 per share in the first three quarters. With an outlook for diminishing cash flow from operations for 2018, we felt it prudent to focus our resources on growth and positioning the company for the future. Consequently, our Board did not declare quarterly dividends to be paid in the fourth quarter of 2017 or during 2018. Although we will continue to review our dividend position on a quarterly basis, we do not anticipate our Board reinstating a quarterly cash dividend until we see a significant improvement in our market outlook and projected free cash flow.

In December 2014, our Board of Directors approved a share repurchase program under which we may repurchase up to 10 million shares of our common stock on a discretionary basis. The program calls for the repurchases to be made in the open market, or in privately negotiated transactions from time to time, in compliance with applicable laws, rules and regulations, including Rule 10b-18 under the Securities Exchange Act of 1934, as amended, subject to market and business conditions, levels of available liquidity, cash requirements for other purposes, applicable legal requirements and other relevant factors. The timing and amount of any repurchases will be determined by management based on its evaluation of these factors. We expect that any shares repurchased under the program will be held as treasury stock for future use. The new program does not obligate us to repurchase any particular number of shares. Under the program, we had repurchased 2.0 million shares of our common stock for \$100 million through December 31, 2015. We have not repurchased any shares under the program since December 31, 2015.

EQUITY COMPENSATION PLAN INFORMATION

The following presents equity compensation plan information as of December 31, 2018:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	1,443,897	N/A	2,178,923
Equity compensation plans not approved by security holders	—	N/A	—
Total	1,443,897	N/A	2,178,923

In the table above, the number of securities to be issued upon exercise of outstanding options, warrants and rights shown as of December 31, 2018 are restricted stock units and shares of restricted stock granted under our 2010 incentive plan, as amended.

At December 31, 2018, there were: (1) no shares of Oceaneering common stock under equity compensation plans not approved by security holders available for grant; and (2) 2,178,923 shares of Oceaneering common stock under equity compensation plans approved by security holders available for grant in the form of stock options, stock appreciation rights or stock awards. We have not granted any stock options since 2005 and the Compensation Committee of our Board of Directors has expressed its intention to refrain from using stock options as a component of employee compensation for our executive officers and other employees for the foreseeable future. Additionally, our Board of Directors has expressed its intention to refrain from using stock options as a component of nonemployee director compensation for the foreseeable future. For a description of the material features of our equity compensation arrangements, see the discussion under the heading "Incentive Plan" in Note 9 of Notes to Consolidated Financial

Statements included in this report.

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PERFORMANCE GRAPH

The following graph compares our total shareholder return to the Standard & Poor's 500 Stock Index ("S&P 500") and the PHLX Oil Service Sector Index from December 31, 2013 through December 31, 2018. The PHLX Oil Service Sector Index is designed to track the performance of a set of companies involved in the oil services sector.

It is assumed in the graph that: (1) \$100 was invested in Oceaneering Common Stock, the S&P 500 and the PHLX Oil Service Sector Index on December 31, 2013; and (2) any Oceaneering dividends are reinvested. The shareholder return shown is not necessarily indicative of future performance.

	December 31,					
	2013	2014	2015	2016	2017	2018
Oceaneering	100.00	75.68	49.38	38.40	29.30	16.77
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
PHLX Oil Service Sector	100.00	76.23	58.40	69.49	57.54	31.52

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Item 6. Selected Financial Data.

The following table sets forth certain selected historical consolidated financial data and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operation and our Consolidated Financial Statements and Notes included in this report. The following information may not be indicative of our future operating results.

Results of Operations:

(in thousands, except per share amounts)	Year Ended December 31,				
	2018	2017	2016	2015	2014
Revenue	\$1,909,482	\$1,921,507	\$2,271,603	\$3,062,754	\$3,659,624
Cost of services and products	1,780,256	1,726,897	1,992,376	2,457,325	2,800,423
Gross margin	129,226	194,610	279,227	605,429	859,201
Selling, general and administrative expense	198,259	183,954	208,463	231,619	230,871
Goodwill impairment	76,449	—	—	—	—
Income (loss) from operations	\$(145,482)	\$10,656	\$70,764	\$373,810	\$628,330
Net income (loss)	\$(212,327)	\$166,398	\$24,586	\$231,011	\$428,329
Cash dividends declared per Share	\$—	\$0.45	\$0.96	\$1.08	\$1.03
Diluted earnings (loss) per share	\$(2.16)	\$1.68	\$0.25	\$2.34	\$4.00
Depreciation and amortization	\$293,590	\$213,519	\$250,247	\$241,235	\$229,779
Capital expenditures, including business acquisitions	\$178,038	\$104,958	\$142,513	\$423,988	\$426,671

Other Financial Data:

(dollars in thousands)	As of December 31,					
	2018	2017	2016	2015	2014	
Working capital ratio	2.52	2.72	2.48	2.46	2.52	
Working capital	\$750,148	\$751,605	\$754,231	\$901,537	\$1,034,413	
Total assets	\$2,824,998	\$3,023,950	\$3,130,315	\$3,429,536	\$3,504,940	
Long-term debt	\$786,580	\$792,312	\$793,058	\$795,836	\$743,469	
Shareholders' equity	\$1,409,235	\$1,659,164	\$1,516,643	\$1,578,734	\$1,657,471	
Goodwill as a percentage of Shareholders' equity	29	% 27	% 29	% 27	% 20	%

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements in this annual report on Form 10-K, including, without limitation, statements regarding the following matters, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995:

- our business strategy;
- industry conditions;
- seasonality;
- our expectations about 2019 results of operations, items below the operating income line and segment operating results, and the factors underlying those expectations, including our expectations about demand and pricing for our energy services and products as a result of the factors we specify in "Overview" and "Results of Operations" below;
- our backlog;
- projections relating to floating rig demand and subsea tree installations;
- the adequacy of our liquidity, cash flows and capital resources to support our operations and internally generated growth initiatives;
- our projected capital expenditures for 2019;
- our plans for future operations (including planned additions to and retirements from our remotely operated vehicle ("ROV") fleet, our intent regarding the new multiservice subsea support vessel scheduled to be placed into service in the second quarter of 2019 and other capital expenditures);
- our ability and intent to redeem Angolan bonds and repatriate cash;
- our anticipation of a discrete tax item in the first quarter of 2019;
- our expectations regarding shares repurchased under our share repurchase plan;
- our expectations regarding the implementation of new accounting standards and related policies, procedures and controls;
- our expectations about our ROV fleet utilization in the future; and
- our expectations regarding the effect of inflation in the near future.

These forward-looking statements are subject to various risks, uncertainties and assumptions, including those we refer to under the headings "Cautionary Statement Concerning Forward-Looking Statements" and "Risk Factors" in Part I of this report. Although we believe that the expectations reflected in such forward-looking statements are reasonable, because of the inherent limitations in the forecasting process, as well as the relatively volatile nature of the industries in which we operate, we can give no assurance that those expectations will prove to have been correct. Accordingly, evaluation of our future prospects must be made with caution when relying on forward-looking information.

Overview

The table that follows sets out our revenue and operating results for 2018, 2017 and 2016.

(dollars in thousands)	Year Ended December 31,			
	2018	2017	2016	
Revenue	\$1,909,482	\$1,921,507	\$2,271,603	
Gross Margin	129,226	194,610	279,227	
Gross Margin %	7	% 10	% 12	%
Operating Income (Loss)	(145,482)	10,656	70,764	
Operating Income (Loss) %	(8)	% 1	% 3	%
Net Income (Loss)	(212,327)	166,398	24,586	

Our business depends substantially on the level of spending on offshore developments by our customers in the energy industry. During 2018, we generated approximately 78% of our revenue, from services and products we provide to the energy industry. The full year of 2018 unfolded as we expected, with increased levels of energy services and products activity being more than offset by

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lower pricing for our energy services and products. Overall, our 2018 revenue approximated our 2017 revenue, with increases in our ROV, Subsea Projects, Asset Integrity and Advance Technologies segments, offset by a substantial decrease in our Subsea Products segment.

In 2018, on a consolidated level, we had a net loss of \$212 million, or diluted loss of \$2.16 per share, compared to net income of \$166 million, or diluted earnings of \$1.68 per share, in 2017. The \$378 million decrease from 2017 net income was primarily attributable to income taxes. In 2018, we had income tax expense of \$26 million, due primarily to discrete tax expense adjustments, and in 2017, we had an income tax benefit of \$184 million, due primarily to a \$189 million tax benefit resulting from the December 2017 enactment of U.S. tax reform legislation commonly referred to as the 2017 Tax Cuts and Jobs Act (the "Tax Act"). Year-over-year, our change in tax expense (benefit) represented \$210 million of the previously mentioned decrease in net income.

Additionally, we had an operating loss of \$145 million in 2018 compared to operating income of \$11 million in 2017. For 2018, our revenue was essentially flat with 2017 as we experienced increased levels of offshore energy activities, however, competitive pressures resulted in lower pricing for our services and products in our energy related segments. Due to lower profit contributions from our energy services and products businesses, operating results decreased \$156 million from 2017. The declines in profitability were most notably in:

- our Subsea Projects segment, which had a \$96 million decrease in the operating results on \$37 million higher revenue, with a pre-tax goodwill impairment of \$76 million in 2018, largely resulting from the protracted downturn in survey and vessel activity;
- our Subsea Products segment, which had a \$40 million decrease in operating income on \$111 million less revenue; and
- our ROV segment, which had a \$21 million decrease in operating income on relatively flat revenue.

In 2018, we invested in the following capital initiatives:

- \$100 million to add capabilities in our Subsea Projects segment, including the acquisition of Ecosse Subsea Limited ("Ecosse") for \$68 million and the continued construction of a new subsea support vessel, Ocean Evolution, scheduled to be placed into service during the second quarter of 2019;
- \$46 million to upgrade our work-class ROVs; and
- \$25 million to add capabilities in our Subsea Products segment.

We expect our 2019 operating results to improve year-over-year based on increased activity across all of our segments. Apart from seasonality, we view pricing and margins in the current market to be relatively stable. Operationally, we anticipate all of our segments, with the exception of Asset Integrity, to generate improved yearly results, with the largest increase in profitability occurring in Subsea Products and Advanced Technologies, beginning in the second quarter. Our 2019 forecast is based on the expectation of higher overall activity and stabilized pricing within our energy segments, modest activity improvement within our government businesses and improved performance in our commercial businesses.

We use our ROVs to provide drilling support, vessel-based inspection, maintenance and repair, subsea hardware installation, construction, and pipeline inspection services to customers in the energy industry. Most of our ROVs have historically been used to provide drill support services. Therefore, the number of floating drilling rigs on hire is a leading market indicator for this business. The following table shows average floating rigs under contract and our ROV utilization.

	2018	2017	2016
Average number of floating rigs under contract	148	150	177
ROV days on hire (in thousands)	52	47	60
ROV utilization	51%	46%	53%

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Demand for floating rigs is the primary leading indicator of the strength of the deepwater market. According to industry data published by IHS Petrodata, excluding rigs under construction, at the end of 2018 there were 244 floating drilling rigs in operation or available for work throughout the world, with 146 of those rigs under contract. Of the 146 rigs under contract, 37 have contract terms expiring during the first six months of 2019. The offshore rig count in 2018 was relatively stable, at approximately 148 rigs.