NOV Inc.
Second Quarter 2026 Earnings
Conference Call Remarks

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Welcome everyone to NOV’s second quarter 2026 earnings conference call. With me today are Jose Bayardo, our Chairman, President, and CEO, and Rodney Reed, our Senior Vice President and CFO.

Before we begin, I would like to remind you that some of today’s comments are forward-looking statements, within the meaning of the federal securities laws. They involve risks and uncertainty, and actual results may differ materially. No one should assume these forward-looking statements remain valid later in the quarter, or later in the year. For a more detailed discussion of the major risk factors affecting our business, please refer to our latest Forms 10-K and 10-Q filed with the Securities and Exchange Commission. Our comments also include non-GAAP measures. Reconciliations to the nearest corresponding GAAP measures are in our earnings release available on our website.

On a U.S. GAAP basis for the second quarter of 2026, NOV reported revenues of $2.13 billion and a net income of $112 million or $0.31 per fully diluted share. Our use of the term EBITDA throughout this morning’s call corresponds with the term “Adjusted EBITDA” as defined in our earnings release.

Later in the call, we will host a question-and-answer session. Please limit yourself to one question and one follow-up to permit more participation. Now, let me turn the call over to Jose.

Jose Bayardo
Chairman, President, and Chief Executive Officer

Thank you, Amie.

Good morning, everyone, and thank you for joining us.

NOV executed exceptionally well during the second quarter. Our teams successfully navigated continued logistical challenges in the Middle East while capitalizing on improving demand for the critical technologies and equipment NOV provides to the global energy industry. We also realized additional benefits from the operational improvements we've been driving across the organization.

NOV generated revenue of $2.13 billion during the second quarter, an improvement of 4% sequentially. Adjusted EBITDA totaled $283 million. Excluding the approximately $40 million IEEPA tariff benefit recognized during the quarter, Adjusted EBITDA was $243 million, reflecting approximately 80%incremental EBITDA conversion on our sequential revenue growth.

The strong incremental margins reflect excellent execution on several large projects nearing completion, a more favorable sales mix, improved deliveries into the Middle East, and operational initiatives that are beginning to outpace inflationary pressures. Compared to the second quarter of last year, revenues declined 2.5% while decremental margins were limited to 17%, excluding the impact of the one-time IEEPA benefit. We achieved this low decremental margin despite quarterly tariff expense that increased approximately $20 million year-over-year, from roughly $10 million during the second quarter of 2025 to $30 million in the second quarter of 2026.

I want to thank NOV's employees for the outstanding execution and the pride they demonstrate every day in taking care of our customers, pursuing operational excellence, and keeping each other safe. As I mentioned last quarter, pride in what you do, accountability, and ownership translate directly into stronger operational and safety performance. During the quarter, our Total Recordable Incident Rate and Lost Time Incident Rate both improved from a year ago, marking a second consecutive quarter of improvements and record safety performance in the first half of the year, further reinforcing the culture we have worked hard to build throughout NOV.

Before moving on, I also want to extend a special thank you to our colleagues in the Middle East, who continue to operate through an extraordinarily difficult environment. Their resilience, professionalism, and commitment to one another and our customers have been exceptional.

Over the past several quarters, we've consistently talked about two priorities – driving operational efficiencies and positioning ourselves for the next industry investment cycle.

This quarter, we began realizing more of the benefits of those efforts. At the same time, we're becoming increasingly confident that the longer-term market trends we discussed last quarter are beginning to emerge.

We're seeing our operational improvements translate into stronger margins. Our differentiated technologies continue to gain market share, and conditions are improving across our largest end markets.

While the underlying fundamentals continue to improve, geopolitical uncertainty and commodity price volatility are causing some customers to remain cautious.

As a result, and as expected, capital equipment orders in our Energy Equipment segment remained below a 100% book to bill, but we continue to expect a pickup in orders later this year and a more significant increase in 2027. Additionally, orders for our shorter cycle capital equipment offerings in our Energy Products and Services segment, including drill pipe and fiberglass, remain strong.

Moving on to what we saw across our major markets during the second quarter.

In the Middle East, activity remained below pre-conflict levels, but when the bulk of the "kinetic activity" ceased during the quarter, conditions stabilized and customers adapted their operations to what seemed to become a new normal. Even so, logistics remained less predictable and more costly.

Our supply chain and operational teams responded exceptionally well. We successfully delivered orders that had been delayed during the first quarter and continued supporting our customers despite a much more complex operating environment. While our operator customers worked diligently to safely preserve activity, certain operations, particularly offshore, were curtailed, resulting in certain orders being deferred and lower overall activity levels. Notably, activity related to unconventional resource development generally continued unabated.

The environment created both challenges and opportunities. Logistical constraints limited our ability to secure commitments from suppliers, affecting certain deliveries, and our ability to bid on some projects. At the same time, those same constraints created opportunities where NOV's global supply chain capabilities and operational flexibility allowed us to win work that competitors were unable to execute. Overall, the impact to our business during the second quarter was largely consistent with, to modestly better than, the expectations we outlined on our last earnings call.

Looking ahead, given the uncertainty in both our customers' and suppliers' business activities due to the conflict in the Middle East, it remains difficult to predict how conditions in the region will evolve. Operators have been preparing to quickly restore activity once confidence in the reliability of takeaway capacity improves. Until then, our priorities remain unchanged – keeping our employees out of harm's way, supporting our customers, and continuing to execute safely while hoping for a lasting return to peace throughout the region.

Outside the Middle East, we're seeing encouraging momentum across most markets as global oil inventories are depleting and concerns related to energy security escalate.

In North America, activity improved modestly. Public operators mostly continued to emphasize capital discipline, while private operators became more active. More importantly for NOV, customers continue to prioritize technologies that improve efficiency, enhance reliability, increase production, and lower total well costs. Those priorities play directly to NOV's strengths, and we continue to gain market share as a result.

Internationally, we continue to see unconventional development gain momentum and expand into new markets, including Algeria and Pakistan, where we sold several multistage frac sleeve systems for development of tight gas resources.

We've always asserted that economically developing unconventional resources outside North America would require a lot of the same high-specification equipment and technologies that NOV developed during the U.S. shale revolution. This is exactly what we're now beginning to see, and it helped drive 20% sequential and 33% year-over-year revenue growth in Argentina for NOV during the second quarter.

Demand in Argentina is broad-based: we're supplying pressure pumping and coiled tubing equipment; helping customers reactivate and upgrade high-specification U.S. drilling rigs that will be redeployed in Argentina; assisting customers drill and complete extended lateral wells more efficiently with our drilling and completion tools; helping developers of major infrastructure projects with our pumps, chokes, and composite pipe; and supporting LNG exports by supplying submerged swivel and yoke systems to moor and load FLNG vessels.

Customers are also increasingly adopting NOV's digital solutions to improve workflows and accelerate operational decision making. During the quarter we were awarded a significant contract to provide real-time drilling and completion data acquisition, visualization and analytics across a leading Argentine operator's development program.

Outside of unconventional markets, but also in Latin America, opportunities in Venezuela continue to develop faster than we originally anticipated. For us, demand has expanded beyond progressive cavity and reciprocating pumps into fishing tools and completion technologies, and we are quoting an increasing range of drilling and production equipment as customers evaluate longer-term redevelopment opportunities.

There are a growing number of international markets in early stages of development, and we see heightened energy security concerns accelerating growth, which should create meaningful additional demand for a broad range of NOV technology and equipment.

Turning to the offshore markets where our outlook for deepwater activity continues to grow increasingly constructive.

It’s important to remember that the offshore recovery began prior to the conflict in the Middle East and will be one of the clearest beneficiaries of the industry's heightened focus on energy security and plateauing production in North America. Operators continue advancing brownfield expansions, ramping exploration programs, and sanctioning new deepwater developments.

While continued geopolitical tension and resulting commodity price volatility creates uncertainty and delays, industry forecasts continue to call for approximately 10 FPSO awards this year – a meaningful increase from the 6 sanctioned during 2025. Projects continue moving forward despite today's uncertainty, reflecting the attractive economics of offshore development.

We also remain encouraged by how the mix of mid- to longer-term offshore developments is expected to evolve. Operators are increasingly favoring the development of gas-rich reservoirs, which require more of NOV's sophisticated processing equipment. We also see the pipeline of anticipated projects shifting toward deeper water, harsher and more technically demanding environments, which plays into NOV's strengths. Overall, we believe the future project mix is becoming increasingly favorable for NOV and should continue to support healthy demand for our subsea flexible pipe, gas and water treatment systems, spread and turret mooring technologies, offshore cranes, production chokes, and lightweight composite pipe and tanks.

Naturally, as demand for offshore production continues to increase, conditions in the offshore drilling market are also improving. Offshore contracting activity increased 32% sequentially, and if published tenders remain on schedule, our customers should see a sizeable pickup in project start dates in late 2026 and early 2027. As a result, demand for our aftermarket services and spare parts remains healthy, driving our fourth straight quarter with an increase in our backlog for spare parts.

As rig utilization improves and contract durations extend, drilling contractors are increasingly focused on preparing assets for additional work. That drives demand for aftermarket spare parts, recertifications, automation upgrades, and capital equipment modernization – all high-value areas where NOV has established technology leadership, a large installed base, and long-standing customer relationships.

When we step back and look across the markets NOV serves, what's particularly encouraging is that we're seeing improvement almost everywhere, suggesting that the recovery is broadening beyond isolated pockets of activity into a more synchronized investment cycle.

That's the type of environment where we believe NOV's operating leverage and the structural improvements we've made in our business over the past several years become increasingly evident.

One of the questions we often hear from investors is what does NOV look like in this type of market environment?

To assess the answer to that question, it’s important to understand our recent results. Over the last several years, our financial performance has been resilient. Revenue generally remained between $8.5 and $9.0 billion per year, while EBITDA has been around $1 billion, with high levels of free cash flow conversion.

That stability might suggest that the performance of our underlying businesses has been relatively stable. The reality is almost the opposite. The resiliency of our intentionally diverse portfolio has masked meaningful shifts occurring beneath the surface. Individual businesses have experienced very different performance over the last several years. When one part of our portfolio has faced headwinds (due to such things as three plus years of declining activity in the U.S. or a large number of rigs being suspended in a key international market), another has often performed exceptionally well. The result has been a business that has appeared stable from the outside, even though there are often meaningful shifts in the performance of the underlying components.

During periods of uneven, and generally soft, market environments, our portfolio allowed stronger businesses to offset weaker ones and deliver resilient cash flow, allowing us to continue investing in advancing technology leadership across our portfolio and better positioning all our businesses for the future.

Over the past decade we have not experienced an environment in which all our businesses can perform well at the same time.

As a result, we believe the earnings power embedded within NOV's portfolio remains underappreciated.

So back to the question, what is the earnings capacity of NOV when we have a more synchronized global recovery?

A simple way to analyze that question is to look at the strongest quarterly performance each of our businesses has delivered over the last several years. If you take a conservative approach, and exclude the seasonally stronger fourth quarters, you arrive at an annualized revenue level of approximately $9.8 billion and EBITDA of roughly $1.5 billion.

Keep in mind, the individual business unit peaks didn't occur during an exceptionally strong industry environment. In many cases they occurred while inflation (including tariffs) was driving significant cost pressure, supply chains remained constrained, activity levels were declining, and pricing power was limited.

In other words, those results were achieved despite a difficult operating backdrop, not because conditions were favorable.

We believe the high-water-mark analysis represents a conservative illustration of our earnings capacity. It is based on what our businesses have already demonstrated they can achieve and does not fully reflect the structural improvements we've made over the last several years.

We've been working to simplify the organization, consolidating facilities, improving manufacturing efficiency, and optimizing our portfolio by focusing on areas where we believe we have durable competitive advantages. NOV today is a fundamentally stronger company than it was just a few years ago. While we still have more work to do, we're beginning to see our efforts translate into improving productivity and better margins.

Our portfolio also continues to migrate toward higher-value technologies. Digital solutions are growing rapidly. International unconventional development is expanding. Offshore production markets are strengthening. And, we believe aftermarket demand is positioned for a recovery as suspended rigs return to work and customers prepare equipment for the next phase of the cycle.

The timing of our earnings progression will ultimately depend on how the market unfolds. Historically, NOV has been viewed as a later-cycle company because demand for capital equipment generally accelerated only after activity increased and readily available service capacity became fully utilized.

We believe this cycle will be different.

After a decade of capital discipline and underinvestment, the industry is not starting from a position of excess capacity. Equipment attrition, the export of underutilized North American equipment into international markets, and years of limited reinvestment have materially tightened the global service complex.

As a result, we believe customers will need to begin investing in equipment much earlier this cycle, allowing NOV to more meaningfully participate earlier in the market recovery than investors have traditionally expected.

None of this suggests that results will improve in a straight line. Markets rarely work that way, and geopolitical uncertainty, commodity-price volatility, and customer restraint will continue to influence the timing of investment.

But when we look at the operational improvements we've implemented and the market conditions we believe are beginning to emerge, we're increasingly confident that NOV has substantially greater earnings power than we've been able to demonstrate over the past decade.

Our portfolio helped make NOV a more resilient company through one of the most challenging operating environments our industry has experienced. We believe that same portfolio, combined with a fundamentally stronger organization and a broadening investment cycle, positions NOV to deliver materially stronger financial performance as more of our businesses begin performing well at the same time.

That's the opportunity we see ahead. While the exact timing will ultimately depend on how the market environment and customer spending unfold, we're confident we're taking the right actions to position NOV for the future, and I'm even more confident in this team's ability to execute and deliver materially stronger results.

Rodney?

Rodney Reed
Senior Vice President and Chief Financial Officer

Thank you, Jose.

Consolidated revenue for the quarter was $2.13 billion, an increase of 4% sequentially and down 2% year-over-year. Net income was $112 million, or $0.31 per fully diluted share. Operating profit was $193 million, which included $17 million in pre-tax Other items, primarily related to severance and facility closures, and $20 million in gain on sales of fixed assets. Adjusted operating profit was $190 million or 9% of sales, and Adjusted EBITDA totaled $283 million, or 13.3% of sales.

During the quarter, we recorded a benefit of approximately $40 million related to IEEPA tariff refunds, which is included in Adjusted operating profit and Adjusted EBITDA. On a segment basis, our Energy Products and Services segment received approximately $26 million of the benefit while our Energy Equipment segment accounted for the remainder. The net benefit from tariff refunds on year-over-year financial results is slightly more than $20 million as our overall tariff expense has increased from the second quarter of 2025. We collected approximately $17 million of these refunds during the quarter.

As Jose mentioned, second quarter results for our Middle East operations were generally consistent with our expectations. For the third quarter, our guidance assumes that the operating environment remains consistent with the conditions during the second quarter.

During the quarter, we repurchased 3.2 million shares for $63 million and paid dividends of $64 million, which included a supplemental dividend of $0.09 per share related to the true up of our 2025 return of capital program. Since implementing our return of capital program during the second quarter of 2024, we've returned over $1 billion to shareholders through share repurchases and dividends, while cash has increased approximately $700 million.

Free cash flow for the quarter was negative $64 million, impacted by the timing of certain milestone billings and slightly elevated inventory, as our supply chain teams implemented more buffers given the ongoing conflict. We expect working capital to benefit cash generation during the second half of the year, consistent with trends experienced in both 2024 and 2025, and we still anticipate converting between 40% to 50% of 2026 EBITDA to free cash flow.

We continue to expect capital expenditures to be between $340 million and $370 million and our annual effective tax rate to be between 34% to 36%.

Stepping back, our team's second quarter operational performance was excellent. We're advancing efforts to simplify and standardize business processes to drive efficiencies that reduce operating costs, improve customer experience, and support on-time delivery. Sequentially, we delivered strong EBITDA incrementals of 130%, or 80% excluding tariff refunds. For the third quarter, we expect sequential and year-over-year revenue growth, and we expect to deliver healthy free cash flow in the second half of the year.

Moving to our segments, starting with Energy Equipment.

Energy Equipment

Second quarter revenue was $1.22 billion, up 2% sequentially and up 1% year-over-year. EBITDA increased $42 million year-over-year to $200 million, or 16.4% of sales, representing the highest quarterly EBITDA margin since the segment was established. Excluding the second quarter tariff benefit, margins still reached a record level, driven primarily by operational excellence across several business units, favorable pricing and mix, and cost reductions. The segment also delivered its fifth straight quarter of year-over-year revenue growth.

Capital equipment sales accounted for approximately 63% of the segment's revenues in the second quarter of 2026, improving 2% year-over-year, led by continued strength in our offshore production-related businesses, including subsea flexible pipe, marine and construction, and process systems. Aftermarket sales and services accounted for the remaining 37% of segment revenue and improved 3% sequentially as our teams continued to navigate the operating environment in the Middle East. Compared to the prior year, aftermarket revenue was down 2%, primarily reflecting the effects of the Middle East conflict.

Capital equipment orders for the second quarter were $474 million, a 13% increase year-over-year, resulting in a book-to-bill of 74% for the quarter. Backlog at the end of the quarter was $4.1 billion. Orders during the quarter were led by subsea flexible pipe and offshore production equipment. First half 2026 orders exceeded the first half of 2025, and strong operational execution resulted in shipments improving almost 10%. Similar to 2025, we expect order intake in the second half of the year to meaningfully outpace the first half, supported by our discussions with key customers and a strong pipeline of projects.

Our subsea flexible pipe business delivered another outstanding quarter, achieving record EBITDA performance. Margin expansion reflected exceptional execution, favorable project mix, and progress on higher margin backlog, supported by relentless focus on quality, safety, and on-time delivery. Demand outlook for flexible pipe and bookings remain strong. On a trailing twelve-month basis, book to bill was 135% and quarter ending backlog was 28% higher than twelve months ago. Second quarter orders primarily included various projects in the North Sea. Our team recently celebrated a significant milestone: delivery of a cumulative 1,000 KM of flexible pipe from our facility in Brazil.

Our process systems revenue increased mid-single digits percent year-over-year, reaching another quarter of record EBITDA performance, reflecting strong demand in offshore production and international gas markets. Margins improved year-over-year, supported by strong operational execution on projects nearing completion. During the quarter, the business booked orders supporting an offshore gas project in Indonesia and a gas dehydration package for an operator in West Africa. Also, leveraging our NOV Max Platform, the business deployed an AI model supporting a North Sea operator's program to optimize their sulphate removal unit. Outlook for gas processing applications, produced water treatment and brownfield applications remains robust.

Revenue from our drilling capital equipment business declined versus the prior year, but improved in the mid-single digits sequentially, driven by strong performance from our Saudi manufacturing facility and improving bookings activity. Orders during the quarter included robotics packages, offshore BOP, and NOVOS™ automation packages. Bookings in the first half of 2026 exceeded the first half of 2025 by over 40%, and looking forward, we continue to have a constructive outlook on the offshore drilling market with floater utilization and day rates improving, providing an opportunity for stronger capital equipment orders in the second half of 2026 and into 2027.

Our Marine and Construction business revenue improved in the mid-teens percent range year-over-year, driven by higher demand for lifting and handling equipment as well as mooring and fluid transfer systems. The market outlook for marine and construction remains constructive, supported by strong offshore development activity, with the value of offshore FIDs in 2026 already around full year 2025 levels and further growth expected in 2027. These industry trends drive demand for turret mooring systems, offshore cranes, subsea construction equipment and pipe lay equipment, as well as provide positive demand for several other NOV business units.

Revenue for intervention and stimulation capital equipment declined year-over-year, reflecting lower overall demand in North America, but was up mid-single digits sequentially, led by Middle East wireline and coiled tubing equipment deliveries. Interest in coiled tubing and frac-related equipment in the Middle East and Argentina remains strong, supported by expanding unconventional developments. In the U.S. land market, quoting activity has also improved, driven by higher frac utilization.

Turning to the aftermarket portion of the Energy Equipment segment, revenue from parts and services for drilling equipment was impacted by the Middle East conflict due to suspended rig operations, logistical challenges, and delays in upgrade projects. While activity was down year-over-year, sequentially revenue was higher as spare parts shipments improved. Service utilization increased and bookings and backlog for spare parts and repair grew, reflecting higher customer demand. Increasing offshore floater utilization and improving day rates, will continue to drive stronger demand for our Rig Aftermarket business which we expect to grow meaningfully in the second half of 2026 compared to the first half.

Intervention and stimulation equipment aftermarket revenue was effectively flat sequentially and down mid-single digit percent year-over-year. The drop year-over-year was led by lower activity in North America and the Middle East. Customer inquiries and quoting activity have increased in North America and Argentina and stabilized in some areas of the Middle East.

For the third quarter, we expect Energy Equipment segment revenue to be between 1-to-3% lower year-over-year, as growth in our drilling capital equipment and aftermarket business is offset by certain projects nearing completion during the second quarter. We expect EBITDA to be in the range of $160 million to $190 million.

Moving to the Energy Products and Services segment…

Energy Products & Services

Our Energy Products & Services segment generated revenue of $974 million, down 5% compared to the second quarter of 2025, while sequentially revenue improved 9%. Adjusted EBITDA totaled $144 million, or 14.8% of sales. Year-over-year growth in drill bits, digital services and artificial lift, supported by improving demand across many of our key markets, did not fully offset lower composite pipe shipments, partially impacted by the conflict in the Middle East. Compared to the prior quarter, the segment experienced increased demand across nearly all of its businesses.

For the second quarter, the sales mix within Energy Products & Services was 53% Services and Rentals, 30% Capital Equipment, and 17% Product Sales.

Revenue from Services and Rentals remained resilient, declining just 1% year-over-year as market share gains across several of our product lines largely offset lower U.S. and Middle East drilling activity. Sequentially, revenue for services and rentals improved 4%, with a significant majority of our business units and regional markets experiencing growth, especially U.S. land.

Our drill bit business gained market share across the U.S. and Canada, supported by continued innovation in our cutter technology that is improving rates of penetration and extending bit life to drive operational efficiency. In the U.S., these gains drove record quarterly revenue and marked the eighth consecutive quarter of year-over-year revenue growth.

Likewise, our downhole tools business delivered a strong quarter, with higher activity in the U.S., Europe, and Africa, while demand in the Middle East remained below prior-year levels. Drilling motor rentals achieved their strongest U.S. revenue in over six years with market share gains of our slimhole power sections supporting drilling efficiencies in longer laterals. The business also saw increased adoption of our Agitator™ Rage friction reduction tool across US land, as well as PosiTrack™ torsional vibration mitigation technology expanding in offshore applications.

Our Artificial Lift business also benefited from higher activity and market share gains of our electric submersible pump technologies across the Permian and Bakken, posting strong revenue growth as the number of installs during the quarter increased over 20% compared to the prior two quarters. Customers are increasingly adopting technologies to improve run time such as our integrated gas processor and contra-helical pump which improve system performance for wells with high gas to liquid ratios.

Within our Well Site Services business, higher rentals of our Alpha™ shakers across the U.S. drove double digit growth in the region year-over-year, while adoption of our iNOVaTHERM™ thermal treatment technology continued. Together, these advances largely offset lower activity in the Middle East.

NOV Digital Services continued its trend of four straight quarters of year-over-year revenue growth. Revenue from our wired drill pipe services nearly doubled, and during the quarter, we deployed our Max Completions remote service rig monitoring solution for a supermajor, providing centralized oversight of workover operations through real-time monitoring and improved reporting capabilities. This award, along with the win Jose mentioned for a leading Latin America operator, reflect growing customer demand for NOV's digital technologies that improve operational efficiencies and decision making.

Capital Equipment revenue for the Energy Products and Services segment declined 15% year-over-year, primarily reflecting strong deliveries of composite solutions for FPSOs in the prior year that did not repeat, lower demand in the Middle East, and reduced deliveries of conductor pipe connectors. Sequentially, capital equipment revenue increased in the low-teens percent range as shipments recovered from first quarter delays related to the Middle East conflict.

Bookings remained healthy across the segment's capital equipment businesses. Our drill pipe business achieved its strongest first-half bookings in over ten years, and our drill pipe backlog has roughly doubled from 12 months ago. Our Fiber Glass business also recorded healthy bookings during the quarter, despite reduced demand in the Middle East, resulting in 20% year-over-year growth in backlog. Strong bookings, increasing customer demand for differentiated technologies, and an increased backlog positions these businesses for improved performance during the second half of the year.

Our Fiber Glass Systems business continued working through the effects of the conflict in the Middle East, where the timing of certain infrastructure projects reduced manufacturing absorption during the quarter. Demand across most other end-markets remained resilient. Our underground composite fuel handling tank business matched record quarterly revenue as continued investment in domestic fuel infrastructure drove strong customer demand. Reflecting that momentum, bookings for fuel handling tanks have doubled over the past 18 months compared to the preceding 18-month period. The business also sees growing opportunities to support a rising number of FPSO projects. Additionally, the continued adoption of larger diameter composite pipe for produced water projects in North America and the Middle East provides long term demand for the business.

Turning to product sales, revenue remained relatively stable, declining 3% year-over-year reflecting lower drilling activity in the Middle East, partially offset by bulk drill bit deliveries into Algeria. Sequentially, improved demand for drill bits and artificial lift equipment in the U.S., along with second quarter deliveries of drill bits and downhole tools into the Eastern Hemisphere, resulted in mid-single digit revenue growth.

Looking to the second half of the year, we expect seasonal downhole tools sales into the Eastern Hemisphere, increased shipping from improved backlog across our drill pipe and composite solutions businesses, and market share gains of our differentiated technologies, to drive strong top line growth compared to the first half of 2026. Continued structural cost initiatives should further improve margins.

For the third quarter, we expect Energy Products and Services segment revenue to increase between 5 to 7% year-over-year, with EBITDA in the range of $130 million to $150 million.

With that, I'll turn the call back to Jose.

Jose Bayardo
Chairman, President, and Chief Executive Officer

Thank you, Rodney.

As we've discussed this morning, we're encouraged by what we're seeing across the business.

Our operational initiatives are translating into stronger execution and improving margins. At the same time, we're seeing encouraging signs that customer investment is beginning to broaden across the markets we serve.

While uncertainty remains and we continue to expect volatility from quarter to quarter, we believe the underlying fundamentals are moving in the right direction.

We've spent the last several years improving our operations, investing in technologies across our portfolio, and positioning the company for the type of market that is emerging. We believe NOV is well positioned to drive earnings much higher over the coming years and create meaningful value for both our customers and shareholders.

I'd like to once again thank all members of the NOV team around the world for their continued commitment to safety, operational excellence, and taking care of our customers.

With that, we'd like to open the call to questions.