

Bentley Q3 2025 Earnings Call Transcript

Eric Boyer: Good morning and thank you for joining Bentley Systems' Q3 2025 results. I'm Eric Boyer, Bentley's Investor Relations Officer.

On the webcast today, we have Bentley Systems' Executive Chair Greg Bentley, Chief Executive Officer Nicholas Cumins, and Chief Financial Officer Werner Andre.

This webcast includes forward-looking statements—made as of November 5, 2025—regarding the future results of operations and financial position, business strategy and plans, and objectives for future operations of Bentley Systems, Incorporated. All such statements made in or contained during this webcast, other than statements of historical fact, are forward-looking statements.

This webcast will be available for replay on Bentley Systems' Investor Relations website at investors.bentley.com on November 5, 2025.

After our presentation, we will conclude with Q&A. And with that, let me introduce the executive chair of Bentley Systems, Greg Bentley.

Greg Bentley: Good morning, as the case may be, and thanks for your interest and attention.

I'm pleased to say that all quantitative metrics for 25Q3 are quite in accord with our expected progress and outlook range for the year.

But this quarter, Nicholas will highlight the significant product announcements and developments presented and observed at our Year in Infrastructure 2025 conference last month.

Which, I think, also merit your firsthand review at the links here.

Now, I always look forward to discovering, through submissions for the annual Going Digital Awards, the unanticipated ways by which our users are ever creatively applying software and cloud services. This year, I was pleasantly surprised by the plurality of those citing contributions from AI.

So, upon observing this AI-forward propensity at the level of projects and users, I reviewed with interest this year's AEC Advisors survey of engineering firms participating in their annual CEO conference.

You may recall that I previously reviewed two earlier such conferences where Bentley Systems helped with gauging progress and appetites in going digital.

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The surveyed firms together perform most of the contracted infrastructure engineering outside Asia, with the distribution of their revenues by sector weighted, like ours, in favor of public works/utilities and resources.

And within general building, corresponding to what we classify as the commercial/facilities sector, the survey highlights a dramatic transition.

AEC firms are now literally engineering the infrastructure for AI, as spending for construction of data centers, such as the project by digital construction leader DPR, which served as the example throughout our Year in Infrastructure keynote presentations, ramps to soon overtake spending on office spaces.

AEC Advisors shows that digital investment as an internal priority is also succeeding for engineering firms. For the last five years, they, in aggregate, have achieved continually increased profit margins at the same time as also higher growth in organic net revenues, the latter perhaps limited by capacity constraints as separately reported backlogs reached record levels.

Underscoring market robustness, this organic revenue growth is still increasing, including through 2025 estimates, and net of both annual U.S. inflation (in red) and (in blue) U.S. GDP growth.

AEC Advisors concludes that this growth in aggregate profit margin must be attributable to improvements in direct labor productivity, as the total revenue percentage of other costs—the support functions—has risen continuously, by almost 20%.

This is despite real estate costs having declined since pre-pandemic by 25%, presumably owing to virtual and hybrid working enabled by our ProjectWise and other cloud services technologies.

And most significantly for us: these firms' overall technology spending, as a percentage of revenue, will have increased by 40% over the six years through 2025.

Combined with their organic revenue growth, their technology spending in dollar terms increased from 2019 through 2024 at a compounded annual growth rate of 13%, tolerably coinciding with the growth rate of Bentley Systems' revenues, as I have reviewed in recent quarters, over our five years as a public company.

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I believe that we have thus effectively enabled AEC firms to keep up with accelerating demand, despite now-chronic engineering resource constraints, by constantly improving their labor productivity through going digital.

To understand changes now underway in the makeup and magnitude of AEC technology spending, this year, we again helped AEC Advisors with a supplemental AI survey, yielding sufficiently representative responses.

In the interest of validating the prevalence of the commendable self-help AI initiatives that relatively surprised us within this year's Going Digital Awards submissions, we focused survey questions on AI that these AEC firms are already implementing—not just testing—to support their businesses.

Excluding for this immediate purpose more widespread AI implementations for generic business purposes—such as finance, HR, and legal—about a quarter of responses report AI already being implemented, around the periphery of our applications such as ours, to support the infrastructure engineering-oriented functions of design automation, construction planning or monitoring, and/or asset performance and maintenance.

Asked in what respects competitiveness would be advanced through faster AI adoption, these firms expect superior project delivery and quality, operational efficiency, and client experience and satisfaction, but they have the greatest regard for AI's potential enablement of innovation and new services.

To get to these benefits, the median reported level of AI implementation spending today, ranging from six to 53, is 19 basis points of gross revenue. That's on the order of 5% of the overall technology spending rate we just reviewed, and, as a frame of reference, this already somewhat exceeds what such firms on average are spending on all of Bentley Systems' offerings.

Most significantly for us, these firms anticipate increasing their annual AI implementation spending over the next three years to a median, ranging from 35 to 164, of 71 basis points—a multiple of almost four from today. If all other technology spending would just continue to grow at the same rate as over the last five years, this projected AI increment would cause total technology spending, as a percentage of revenue, to grow about 50% faster than at present.

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But we know the resulting AI impact will be such that, rather than so extrapolate, we need to factor in the probable AI-accelerated changes in infrastructure engineering business models, as innovation and new services are enabled.

This was the subject of dialog with a diversity of thoughtful marketplace participants, including public- and private-sector infrastructure owners, as we helped lead a separate survey, and convened an in-person discussion, in September in London, that culminated in this white paper, "The Impact of Artificial Intelligence on the Built Environment."

The majority of the 140 senior opinion leaders surveyed expect the impact of AI on current business models either to augur a major disruption—and so are already taking steps to adapt—or to impact to a significant extent.

Interpreting the qualitative feedback as well: the knowledgeable white paper authors venture that AI will finally catalyze the long-awaited tipping point in engineering business model mix from hours-related revenue towards value-priced data-enabled services and performance/outcome contracting.

To be sure, the emerging opportunities accordingly anticipated around automation, analytics, and digital twins bode well for Bentley Systems' forward-looking initiatives.

But to the extent that our accounts would become incented—and, through AI, increasingly able—to more so minimize their currently generally billable engineering hours and days, because they would instead be variously fixed- and value- and outcome-pricing, what could be anticipated about the consumption of software and cloud services underlying our own business model?

I could describe what we currently measure as consumption "attended" by a user, and thus charged within E365 per day for our Open applications and per quarter for ProjectWise and most term licenses. As our AI-native "+" generation of applications progressively roll out, the commercial norm for our attended consumption charging is likely to become a hybrid combination of these factors and of surcharges based on computing intensity.

With our AI accelerating the pace of engineering productivity growth, attended consumption should generate commensurately higher value and hybrid monetization per relatively slowing time and/or frequency of attended usage.

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At the Year in Infrastructure, Nicholas previewed the commercialization of an already evident source of incremental consumption, with our application engines accessed through APIs, to provide essential engineering context for simulations and analytics programmatically invoked by our accounts' and users' AI agents.

By virtue of our ingrained platform orientation, we are very enthusiastic about working with our enterprise accounts to prioritize development of many further such APIs, and to arrive at reasonable monetization for the burgeoning value that API consumption will generate.

Among potential AI-enabled business model innovations, the cited AI surveys show me that engineering firms and owners share our asset analytics aspiration: for digital twins created and curated through AI to become the foundation for infrastructure inspections, operations, and maintenance. Bentley Systems is investing resolutely to lead this charge, internally and through our ongoing prioritization of capital allocation for pertinent strategic acquisitions.

With critical mass for escape velocity gathering, I believe the resulting asset consumption will become, for us, another mainstay of subscription revenue growth, not only within owner-operators but also, as their digital integrators, with co-innovating engineering firms.

My expectation for the confluence of our maturing incumbent consumption model and these new and incipient consumption streams is influenced by the way that these surveys, and our enterprise subscription renewals, show that infrastructure engineering executives are assessing, against the backdrop of their engineering resource constraints, their current combination of record margins, organic real GDP growth, and backlogs—and their auspicious opportunities in the infrastructure AI-transformed future.

In the short- and medium-term, the prevailing sustainment of our E365 renewals, including for multiple "out" years, at negotiated annual floor and ceiling escalations consistently averaging about 10%, reflects shared confidence (of enterprise accounts, and of Bentley Systems) in the continued healthy overall gradient of a changing mix, evolving to everyone's benefit, of attended, API, and asset consumption.

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To review, as usual, our robust markets and execution, including also notably strong SMB and new-logo growth, and to highlight our Year in Infrastructure announcements and feedback, over to Nicholas.

Thank you.

Nicholas Cumins: Thank you, Greg.

A few weeks ago, infrastructure leaders from around the world gathered in Amsterdam for our annual Year in Infrastructure conference to showcase excellence in infrastructure delivery and performance through digital innovation.

Amsterdam, celebrating its 750th anniversary, is a city built on land reclaimed from the sea through generations of engineering ingenuity. It was a fitting stage for YII and the Going Digital Awards, where that same spirit of innovation took center stage.

YII was also an opportunity to share progress on last year's key announcements, such as integrating Cesium and Google Geo Data across our portfolio. But today, I will focus my remarks on infrastructure AI—the theme introduced by Greg.

The backdrop remains the same. Whether to address climate concerns, ensure energy supply, or, more broadly, support economic and population growth, our world is facing unprecedented demand for better, more resilient infrastructure—yet lacks the engineering capacity to deliver it. We must make existing engineers more productive by empowering them with better tools, smarter workflows, and more connected data.

At YII, the Going Digital Awards finalists once again showcased how Bentley software helped them achieve meaningful productivity gains, often in the range of 15% to 25% or more.

These gains, while impressive, come from the most advanced projects and don't reflect the industry as a whole. Scaling them across all projects would help narrow the gap between global demand and current capacity—but closing it requires a step change in productivity. That step change is just beginning to take shape, and it's AI.

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The AEC Advisors survey referenced by Greg shows large engineering firms making substantial investments in AI for design automation.

For those building their own AI agents, Bentley can support them in several critical ways.

First, we help them tap into past project designs. Every infrastructure asset is unique, but new designs shouldn't start from a blank screen. Historically, design data has been trapped in different file formats and proprietary systems.

With Bentley Infrastructure Cloud, powered by iTwin, data is ingested from a wide range of file formats, and mapped to our infrastructure schemas, so that it can be queried, analyzed, and reused—including by AI.

In this context, we announced Connect, a new foundational layer to Bentley Infrastructure Cloud. Connect delivers a connected data environment for project and asset information, improving collaboration across the entire infrastructure lifecycle. From there, users can advance to ProjectWise for design and construction workflows, and AssetWise for operations and maintenance. Connect will be generally available in December.

Next, we help firms who create their own AI agents by providing engineering context—ensuring their AI recommendations are grounded in sound engineering logic and physical principles.

Hyundai Engineering, a Going Digital Award winner in 2023, demonstrated this by using our STAAD simulation application to validate the structural integrity of AI-generated designs.

This year, I highlighted four similar examples in my keynote—all drawn from an even larger number of Going Digital Award submissions that illustrated how Bentley applications provide engineering context to AI.

Infrastructure engineering is a creative profession—but one where precision is non-negotiable, and consequences are real. The same way that infrastructure organizations have trusted our broad and deep portfolio of applications to empower their individual engineers, they are turning to our applications to provide the same precision to their AI agents.

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Now, as our applications were not designed to interact with AI agents, we also announced the Infrastructure AI Co-innovation initiative—inviting our users to partner with us, to explore how our applications need to evolve both technically and commercially, as Greg mentioned, to better support these AI use cases.

At YII, we also highlighted the AI capabilities we are delivering to the broader engineering community—starting with our next-generation applications powered by AI.

OpenSite+, announced at last year's YII for site engineering, is now in limited availability.

We also introduced two additional next-generation applications in early access this quarter: Substation+ for collaborative substation design, and SYNCHRO+ for 4D construction modeling with AI-driven insights.

All three applications feature Bentley Copilot, our AI assistant purpose-built for infrastructure engineering.

We are also enhancing existing applications with AI, bringing Bentley Copilot and AI-powered drawings production to OpenRoads and OpenRail.

And we unveiled new search capabilities in Bentley Infrastructure Cloud, powered by AI, as demonstrated on stage with ProjectWise.

One last point. We talked about how engineering firms are leveraging our software to ensure that the recommendations from their AI agents are trustworthy. A related topic is trust from the engineering firms in the data that we use to train our AI capabilities.

The AEC Advisors survey shows security and data privacy as the top concern of engineering firms with respect to AI—and this is across all firm sizes.

At YII, we reaffirmed our commitment to data stewardship, first outlined two years ago. Respect for intellectual property is foundational to Bentley's approach: users control their data—always. They decide if and how it is used for AI training.

To uphold this principle, we implemented strict governance. Only data explicitly licensed or explicitly contributed by accounts for the benefit of the broader



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Bentley user community is used. Users can also fine-tune Bentley AI models with their own data, for their exclusive use.

And to ensure transparency, we introduced the Data Agreement Registry, an auditing system that shows exactly how data was used to train Bentley AI models.

When others are vague on these critical topics, we lead with clarity.

Overall, we were pleased with this year's Year in Infrastructure, receiving great feedback about our comprehensive and principled approach to infrastructure AI, and I encourage you to check out our sessions and Going Digital Award winners at yii.bentley.com.

Moving on to our results for the quarter.

We delivered a solid quarter, in line with our expectations. Our year-to-date results position us well to finish within our outlook ranges for the full year: low double-digit ARR growth, approximately 100 basis points of margin expansion, and robust free cash flow, consistent with our long-term financial framework.

Q3 ARR increased 10.5% year-over-year, or 11.0% when excluding the impact of China.

Growth was underpinned by a net revenue retention rate of 109%.

E365 performance remained solid, and we added 300 basis points of ARR growth from new logos again, primarily within the SMB segment.

For the 15th consecutive quarter, we added at least 600 new SMB logos through our online store, with retention in this segment remaining high.

Turning to our tone of business by infrastructure sector.

Resources was once again our fastest-growing sector in the quarter. We continue to see soft signals of improvement in mining exploration.

Public works/utilities delivered another solid quarter, consistent with first half performance and driven by sustained global infrastructure investment. Power Line Systems remained a standout performer, benefiting from global demand for grid resilience and increased power generation.

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Growth in the industrial sector remained modest, while commercial/facilities was flat.

Looking at our geographies at a high level, Asia-Pacific had a strong quarter, followed by the Americas and EMEA.

Growth in Americas was solid, led by North America.

In the U.S., our accounts continue to benefit from a favorable macro backdrop, despite ongoing uncertainty, though less so, from tariffs and policy shifts, and the recent federal shutdown. To date, we have seen minimal disruption from the shutdown.

Looking ahead, there are constructive signals that full-scale permitting reform for energy infrastructure and critical minerals in the U.S. could happen in the coming quarters. Both our Power Line Systems and Seequent businesses are very well positioned to benefit from these developments.

In EMEA, the Middle East continued to lead the region with another very strong quarter, followed by Europe and the U.K. Long-term opportunities are supported by robust investment in transport, water, and energy, particularly in areas such as dual-use infrastructure, data center expansion, and nuclear.

There is also movement in Europe on permitting reform. The European Commission published guidance to help member states accelerate permitting and deployment of renewable energy and grid infrastructure, as part of its broader effort to lower energy costs and strengthen supply security.

In Asia-Pacific, overall performance was strong, with India and Southeast Asia standing out. Robust investment in India is expected to continue, supporting its 2047 vision for long-term growth and development.

Growth in ANZ remained softer, due to the slowdown in transportation spending in Australia; however, there is general expectation that it will rebound driven by infrastructure projects tied to the 2032 Brisbane Olympics.

China's performance was consistent with our expectations, given the economic and geopolitical headwinds, and represents only about 2% of total ARR.

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And with that, Werner, over to you.

Werner Andre: Thank you, Nicholas.

We've had a solid third quarter, and are well positioned, with respect to our financial outlook range, for the full year.

Total revenues for the third quarter were \$376 million, up 12% year-over-year on a reported basis and 11% on a constant currency basis. Year-to-date, total revenues grew 11% and 10% on a reported and constant currency basis, respectively.

Our mainstay subscription revenues grew 14% year-over-year for the quarter in reported and 12% in constant currency; and for year-to-date, subscription revenues grew 12% on a reported and constant currency basis.

Subscription revenues represent 92% of total revenues, up two percentage points from the same quarter last year, reflecting improvement in the overall quality of our revenues' visibility, growth consistency, and margin contribution.

Our E365 and SMB initiatives continue to be solid contributors.

Perpetual license revenues for the quarter were \$11 million, essentially flat compared to the prior year. Perpetual license sales make up only 3% of total revenues and will remain small relative to our recurring revenues.

Our less predictable professional services revenues declined 2% for the quarter in reported and 3% in constant currency and now represent 5% of total revenues.

We currently expect that our professional services revenues will remain at current levels for the remainder of the year; hence, this would be for the full year about \$5 million less than we had originally planned.

It is still the case that the largest portion of these non-recurring services relate to IBM Maximo implementation and upgrade work.

Our last 12-months recurring revenues, which include subscriptions and a small amount of recurring services, increased by 13% year-over-year in reported and in

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constant currency, and represent 92% of our last 12-months total revenues, up 1 percentage point year-over-year.

Our last 12-months constant currency account retention rate remained at 99%, and our constant currency net retention rate rounded down to 109%, led in magnitude by accretion within our consumption-based E365 commercial model.

We ended Q3 with ARR of \$1.405 billion at quarter-end spot rates.

On a constant currency basis, our year-over-year ARR growth rate was 10.5%, consistent with our seasonality expectations for the year, which included the favorable impact from the onboarding of our Cesium acquisition in 24Q3 dropping off this quarter.

Excluding China, our year-over-year constant currency ARR growth rate was 11%, with China being 2% of our total ARR.

On a quarterly sequential basis, our constant currency ARR growth rate was 2.2%, below our 24Q3 sequential growth rate of 3.2%, impacted by the timing of programmatic acquisitions and asset analytics deals.

With regards to seasonality, we expect 25Q4 to have higher year-over-year ARR growth, compared to 25Q3, due to the timing of potential acquisitions and anticipated asset analytics deals.

Our GAAP operating income was \$84 million for the third quarter and \$284 million year-to-date. I have previously explained the impact on our GAAP operating results from deferred compensation plan liability revaluations and acquisition expenses.

Moving on to adjusted operating income less stock-based compensation expense, our primary profitability and margin performance measure. Adjusted operating income less SBC expense was \$104 million for the quarter, up 16% year-over-year, with a margin of 27.7%, up 100 basis points.

Year-to-date adjusted operating income less SBC expense was \$335 million, up 13%, with a margin of 30.2%, up 60 basis points.

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Our margin performance for Q3 and year-to-date has been strong, and we remain confident about delivering our full-year adjusted operating income less SBC target margin of approximately 28.5%, representing an annual margin improvement of 100 basis points.

As a reminder, our Opex seasonality is always more heavily weighted towards the second half, with our annual raises occurring as of April each year, and our larger promotional- and event-related costs also concentrated in the second half of the year and particularly Q4.

Further, our Opex seasonality in 2024 was impacted from head-cost run-rate savings from our 23Q4 strategic realignment, which benefited the first half of 2024 and shifted some of our run-rate and discretionary investments into the second half of 2024 and particularly Q4 2024.

We, therefore, expect more than 100 basis points of margin improvement for the fourth quarter of 2025, when compared to 2024.

Our free cash flow was \$111 million for the quarter and \$384 million year-to-date.

This is generally consistent with our expectation based on our seasonality of collections and expenditures, as well as the timing of cash tax payments, which are more concentrated in the fourth quarter.

We are on target to meet our full-year free cash flow outlook of \$430 million to \$470 million.

With regards to capital allocation, along with providing sufficiently for our growth initiatives, year-to-date, we deployed free cash flow as follows: \$135 million fully paying down our senior debt, \$93 million in effective share repurchases to offset dilution from stock-based compensation, \$10 million in convertible senior notes repurchases, and \$64 million on dividends.

With our senior debt being fully paid down, our net debt leverage, including all of our 2026 and 2027 convertible notes as debt, was 2.2 times adjusted EBITDA, down from 2.9 times at the end of 2024.

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Our strong balance sheet and projected free cash flow generation will sufficiently fund our dividend, share repurchases, and growth initiatives, including potential programmatic acquisitions.

Our five-year senior secured credit agreement, dating from October 2024, provides a current undrawn \$1.3 billion revolving credit facility.

This provides sufficient flexibility to address the January 2026 maturity of \$678 million in outstanding convertible debt, while keeping our cash interest thereafter at about the same magnitude as in the recent past.

Interest rates on our debt are protected through very low coupons on our convertible notes and very favorable terms of our \$200 million interest rate swap, expiring in 2030.

And finally, with only one quarter remaining, our performance through the first nine months gives us confidence in our ability to achieve our annual financial targets.

I already provided incremental color on our fourth quarter expectations for ARR, adjusted operating income less stock-based compensation margin, and free cash flow.

With regards to total revenues, 2025 to date reflects a continued shift in mix from professional services revenues to subscription revenues, improving our overall quality of revenues and margin contribution.

With regards to foreign exchange rates: for the third quarter, the U.S. dollar has weakened relative to the exchange rates assumed in our 2025 annual financial outlook, resulting in approximately \$10 million of incremental revenues from currency and a total favorable impact for the first nine months of approximately \$18 million.

Based on recent rates where the U.S. dollar has weakened relative to our outlook rates: if end-of-October exchange rates would prevail throughout the remainder of the year, our fourth quarter GAAP revenues would be positively impacted by approximately \$8 million, relative to the exchange rates assumed in our 2025 financial outlook.

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And with that, we're ready for Q&A. Over to Eric to moderate. Thank you.

Eric B: Thanks, Werner. Before we begin, I just wanted to remind everyone to limit yourselves to one question so we can get to everybody today. First question will come from Joe Vruwink from Robert W. Baird.

Joe Vruwink: Hi. Great. Hi, everyone. Maybe, can you go into a bit more detail on the opportunity for better ARR growth in 4Q? That's a big renewal period, but also asset analytics opportunities. And just on the point about renewals, so to the point, Greg, you were making at the start, how Bentley applications are called a few years from now could look a lot different than how they currently are utilized.

How does that get encapsulated with an enterprise customer that is willing to engage with you over a multiyear time frame? And are you appropriately monetizing the full potential with the ceiling-floor structure you have been using around these consumption arrangements?

Greg B: Well, I'll say to your last question, Joe, that we only monetize the actual consumption. It just happens to be bounded by a floor and ceiling, potentially. And we are not yet monetizing API consumption, for instance, even though some of it is occurring.

In the course of a renewal with an enterprise account for E365, they tend to prefer to get visibility into their spending in the out years, as well. And it continues to be the case that we wind up, on average, negotiating that each year of that renewal, the floor and ceiling escalate by about 10%. And I think they're aware, because you see these enterprise accounts are the ones responding to the survey about spending on AI and expectations about AI.

They know that their mix of consumption and modes of consumption will change over that period of time, but they are comfortable with expecting to spend a low-double-digit amount more with us, and no doubt with others each year. And we're satisfied to—we likewise know there's going to be volatility in the components of the mix. But when you put it all together in an enterprise agreement, you've heard my take on that, which is to be confident that, while the mix will change, the magnitude will reflect the increasing value, especially from AI.

Nicholas, I was asked of the fourth quarter. Yeah, indeed, it is a strong renewal quarter, and our expectations are comport with that.

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Nicholas C: Right. Well, first of all, Q3 ARR growth was exactly what we were expecting. And what we're expecting for Q4 is ARR growth year-over-year to be stronger than Q3. Part of that is the renewals, as you mentioned. And how much better it will be than Q3 will depend on potentially M&A, or some of the big asset analytics opportunities that we're pursuing.

Greg B: But it would be better than Q3 in any case, because of the magnitude of renewals that occur in each fourth quarter. So, they're all layers that give us confidence in fourth quarter. And of course, therefore, in the outlook for the year.

Eric B: Thanks, Joe. The next question comes from Jason Celino from KeyBanc.

Jason Celino: Great, thanks. I wanted to ask about the government shutdown. I recognize that in your prepared remarks, you said it's had a minimal impact. Maybe can you just elaborate on what you are seeing or not seeing, and why it's been so limited?

Nicholas C: Yeah, to date, we have seen, indeed, minimal impact. First of all, our direct revenue from the U.S. federal government is less than 1%. And indirectly, for the projects that were already awarded IIJA funding, well, the funding continued to flow during the shutdown. And that's very much because of the way IIJA was structured. Now, depending on how long this shutdown is going to go, it could be that, very much at the margin, when we get to renewals with some accounts—and you may recall that renewals are based not just on past performance, how much they've been consuming in the past year, but also how much they're expecting to consume in the next year—it could be that, at the margin, the consumption expectations going forward may be impacted. But this is super early to say. And it will really depend on how long the shutdown goes.

Jason C: Yeah, hopefully, it ends soon. So, we'll see.

Greg B: Other things kind of indirectly or could be gummed up also, and hopefully, not for much longer. Things like the permitting reform we keep expecting and some other functions of the federal government that don't have to do with using software, but changing policies and so forth that are also on hold. We'd like to see the shutdown end sooner rather than later, and we think that's the general expectation now.

Eric B: Thanks, Jason. The next question comes from Matt Hedberg from RBC.

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Matt Hedberg: Great. Thanks for taking my question, guys. A lot of the bigger frontier model builders are noting that access to power is the biggest bottleneck for compute capacity today. And I guess, Nicholas, you noted both PLS and Seequent is set to benefit from this longer term, which is sort of in line with our view. It's also nice to see—I think, although, permitting reform takes time, Greg, you said it just takes time. It seems like EMEA permitting reform is accelerating a bit.

I guess my question is, realizing these projects take time and permitting reform takes time as well, are you starting to see any sort of early benefit from early discussion with customers around this activity? And how should we think about medium to long-term desire for more power to positively impact ARR growth?

Nicholas C: Well, first, despite permitting reforms still to come, both PLS and Seequent remain strong growth engines for the company. Both businesses are still growing faster than the company. We have seen now in the U.S., for example, some acceleration on some mining projects through this. It's called the FAST-41 process—for minerals that are of strategic importance to the U.S. economy, like lithium or copper.

There is a similar bill that was passed in Canada, so we think this is happening, basically, for mining, there's already a lot of movement in order to accelerate permitting or accelerate certain projects. But for the electric grid, this is still to come, but we've seen some very encouraging signs in the past few months in the U.S. I think there's a clear realization here that we must expand the electric grid. And there's a lot of effort, a lot of activities going into strengthening the existing grid, making it more robust. But we actually need to expand it, in order to cope with the higher demand that is for electricity, and a lot of that coming from data centers, by the way. So, you can see it as a growing tailwind for us.

Eric B: Thanks, Matt. The next question comes from Dylan Becker from William Blair.

Faith Brunner: Hey, guys. It's Faith on for Dylan. I just wanted to double click onto your AI innovation roadmap and how you're working with your customer base to build that out, maybe how that played into Cloud Connect, and really what you're focusing on and how you're prioritizing the different opportunities.

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Nicholas C: Well, first of all, what was remarkable when we looked at the submissions for this year's Going Digital Awards was seeing how much our users are investing in AI themselves. And that was a big part also of the update that Greg provided with the AEC Advisors survey, and we can see how much is invested in AI. And, as always, we're using the Going Digital Awards submissions as a bit of our own survey of what's going on with the most advanced infrastructure organizations out there leveraging digital to drive productivity.

And it points to our core applications, engineering applications playing a new role going forward, not just here to empower infrastructure engineers, individual engineers, but actually to start to interact with AI agents. And we think this is a fantastic growth opportunity. Now, we've seen a net acceleration of use cases where our own applications are being used in conjunction with AI that is being developed by our users, if we just look at and reflect on the past couple of years. And we've announced a co-innovation initiative in order to engage with our users, to partner with them, to discuss how can we evolve our engineering applications technically, and also how can we evolve the commercial model around these applications, so that we can support those workflows going forward—better support those workflows going forward. We're hugely excited about that.

But there is a lot of investments on our side for our own AI capabilities that we're delivering to our users. Here, we make sure that first of all, all of our product organizations, all of our user-facing teams have a deep empathy, a deep understanding of the needs of the users, the accounts that we serve. We understand where are potential opportunities to drive more productivity through AI, for example, and then, we involve representative users along the way in helping us prioritize which use cases are we going to go after first with AI.

We involve them during the development of those capabilities. We involve them with beta software, what we call early access. We involve them, of course, during limited availability to make sure that the product can scale to the broader market, and so on and so forth. So, we have constant touchpoints all the way from the very beginning of the exploration—what problems can we solve with AI—to making sure that the software can scale. We have involvement all the way with representative users.

Eric B: Thanks, Faith. Next question comes from Kristen Owen from Oppenheimer.

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Kristen Owen: Hi, good morning. Thank you so much for the question. So, I wanted to ask you about labor availability, not just here in the U.S., but globally in the construction and infrastructure trades. Obviously, AI can't actually build infrastructure, so I'm wondering if you're starting to see that meaningfully impact any of your engineering from customers. What impact these labor challenges are having maybe on project delivery times, budgets, and then add on this piece of willingness to invest in technology to help with some of those productivity challenges? Thank you.

Greg B: Kristen, I think the biggest picture is that everyone has long expected the engineering services firm. So that's half of our business, and they work for the other half of our business, the owner-operators. Everyone has expected the way they work to change from a time and materials billing hours to paying for value and being, therefore, having a platform to incent and reward, for instance, these AI investments.

The biggest picture, I think, is that the ongoing engineering resource constraints are influencing that now happening in favor of AI investments and expectations and changes in the commercial model. And the opportunity for us is to be shoulder to shoulder alongside those engineering firms. We want to help be their arms merchant, providing them, for instance, asset analytics cloud services that they will rebrand and bundle with their engineering analytics and their own data and AI models.

But where they won't need to get into providing the cloud services, the things we can do together with Google. And then, adding our asset analytics layer. So, changing the commercial models is—and accelerating that, because everyone has expected it to occur and it's been slow—I think that finally is being catalyzed now and that's the biggest impact.

Kristen O: Thank you.

Eric B: Thanks, Kristen. And the next question comes from Alexei Gogolev from JPMorgan.

Alexei Gogolev: Thank you, Eric. Hello, everyone. Hi, Greg. I wanted to ask you to maybe give us a brief update of how the partnership with Google is going. Have

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there been any incremental customer conversations on the back of this partnership? And what does that mean for your asset analytics opportunity?

Nicholas C: One of the updates we gave at YII was how we are integrating Google Geo Data across our portfolio. It starts with our engineering applications. MicroStation, the new version of MicroStation, doesn't just include Cesium for 3D geospatial visualization, but through Cesium is actually integrating 3D Photorealistic Tiles from Google.

And I mentioned the launch of Bentley Infrastructure Cloud Connect, the user experience of Bentley Infrastructure Cloud is also powered by Cesium, and also powered by 3D Photorealistic Tiles of Google. So, that integration is going very well, and we're expanding really across our full portfolio.

And we are quite excited also about the opportunity with Google when it comes to asset analytics. Google is a source of data that can be analyzed in order to better understand the current conditions of infrastructure assets and their full context. And you may recall that we've announced a couple of months ago a deeper partnership with Google, from that standpoint, where we will be processing Google Street View imagery to understand basically the inventory of assets out there, and be able to do a before-and-after comparison on what's going on with these infrastructure assets, when we compare with dashcam data that we're processing through our own road monitoring solution. And that's just one example of so many other use cases that we're discussing with Google, where we can empower deeper analytics about existing assets.

Eric B: Thanks. Next question comes from Clarke Jeffries from Piper Sandler.

Clarke Jeffries: Hello. Thank you for taking the question. I wanted to ask just a little bit of a follow up to the discussion around the appetite of AI spend with your customers. Seems like a lot of this is survey work and sort of perspective on where they'll go. But I wanted to ask today, are you seeing proactive RFPs from these customers around AI capabilities, or is it too early? And do you imagine there being a discrete sales approach around AI functionality, or do you feel like this will be very organic within your existing sales motion?

Nicholas C: Well, so on the former, it is still too early for the market to ask specifically for AI capabilities for specific use cases. It's still too early. However,

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indirectly, we do see infrastructure organizations insisting that it is as easy as possible for them to access data that is being created or managed through software coming from providers, so that they can use it for their own AI purposes.

And by the way—so this is much more indirect, but—they are aware that software providers are developing AI capabilities. And we see them clearer and clearer about we want to make sure that when you do this, as a software provider, you don't use our data without our explicit permission. This is very top of mind right now. And it's a part of the conversation we're talking about Bentley Infrastructure Cloud Connect, for example, we reinforce our commitment to data stewardship. We make it very clear that the data of our users is their data always. We don't use it to train our own AI, unless they explicitly authorize us to do so. And that is a clear differentiator versus other providers who are maybe, well, just less clear, on that topic.

But in general, we are still very, very early stage when it comes to requirements for AI-specific capabilities. And because it's still very early stage, we don't see a need right now to have a different go-to-market approach when it comes to positioning these AI capabilities. If you look back at what we basically announced in terms of our own AI capabilities, sometimes it's the next generation of an existing application. Like OpenSite+ is the next generation of OpenSite, Substation+ the next generation of Substation—the same way that we've gone to accounts to position the original OpenSite solution, or the original Substation solution, then, we're going to continue to do the same, even if the new one is powered by AI.

Then, we're also introducing AI capabilities to existing applications. So, same thing. There's no need in order to, to do a different go-to-market. Asset analytics is different. Here, we've been always very clear that we want to go both direct and indirect. So, we are going after owner-operators and the firms that serve them in order to position those capabilities. But we definitely welcome other organizations to take our capabilities and offer them as part of their own offering for asset monitoring, asset maintenance, asset management.

Clarke J: Perfect. Thank you.

Eric B: Thanks, Clarke. Next question comes from Jay Vleeschhouwer from Griffin Securities.

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Jay Vleeschouwer: Thank you. Good morning. Nicholas, I'd like to ask about something we talked about at the conference three weeks ago in Amsterdam, having to do with your product development. Specifically, how have you evolved, or how do you think you might still need to evolve, your product development management or operations in light of all that you mean to do across the portfolio? Do you think that you can or should, for example, compress the time between beta and GA, something we talked about a few weeks ago? And in light of what Greg talked about earlier with regard to your new consumption model, how might those new techniques of consumables possibly tie back into your product development process or product release timing?

Nicholas C: Right. When it comes to our own product development process, we got an earlier question here on how much are we involving users, how much are we involving accounts—and we're very keen to continue to do that and do that even more.

When we release our software, we want to do it in a very iterative fashion. We don't have necessarily a top-down target of, "you must go from early access, beta, to limited availability in that time frame, and you must go from limited availability to general availability in that time frame." It will really depend on the feedback we're getting from representative users.

Especially when it comes to very new capabilities, we're sometimes creating new—potentially we're creating new markets, when it comes to asset analytics, et cetera—we want to make sure that we get it right before we just, we push too hard. So, it's important for us that we keep this very close feedback loop with representative users, and we iterate as often as necessary in order to get the software right and then ready to scale.

And now, we are embracing AI as well to improve our productivity. And I'll also say the majority of our developers now are working with AI tools every day to be more productive, whether it's for coding assistance or even generation of some parts of the code for mundane functions. And we're quite pleased to see that level of embrace by our developers, not necessarily top-down, really coming from them to use AI capabilities.

And it remains a very good analogy for how we're seeing AI playing out for infrastructure engineers: not AI replacing infrastructure engineers, but AI making

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infrastructure engineers more productive. AI being more of a copilot, if you want. That's the name, by the way, of our own AI assistant.

Greg B: Jay, I'll say that you and I share a long background going back to when our desktop products were a platform for specialized applications developed, including by our accounts, and we had special teams that worked with the accounts, the developers within the accounts, to help support their particularizing our existing applications for their own purposes.

That's kind of gotten extinct by now. Individual organizations don't develop their own particular software for this. But what we saw in the AI surveys, and we saw in the Going Digital Awards submissions, are a lot of investment by the enterprises, the AEC firms, the larger ones, in their own agent environment. And the APIs that we'll create, because we have to move the engines to the cloud and open them up and so forth, will be another way of working with developers. The developers will turn out to be the developers in the large enterprises, and I can see that being a different kind of go-to-market, incremental, orthogonal approach for the future. Echoing back to what we've done in the past, where we love our role as a platform provider, especially.

Jay V: Thank you.

Eric B: Thanks, Jay. Our next question comes from Taylor McGinnis from UBS.

Taylor McGinnis: Yeah, hi. Thanks so much for taking my question. Maybe just on the financials. So, if I adjust for the lapping of the acquisition, it still looks like net new ARR was down a bit year-over-year in a constant currency basis. So, I know that you guys said that was in line with expectations, but maybe you can just unpack the drivers behind that.

And as we look into 4Q, I think to get to the upper end of your guys' guidance range, it implies a big step up in net new ARR. I know you mentioned M&A and some of these asset analytics deals potentially being needle-moving there. So, when you think about the size of M&A that you guys are contemplating, or how big some of these asset analytics deals could be, could you just provide a little bit more color there? Thanks.

Werner A: Yeah, maybe I—

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Greg B: Maybe I'll jump—well, OK, I'll just jump in on asset analytics because you've heard me say we have such a big, dependable flywheel that the only thing that's a volatile in what we do is the asset analytics business, because we're looking at landing seven- and eight-figure deals. And it isn't yet at critical mass, I think you could say that. We believe it will become so soon. But, on the margin, it does make these differences in which quarter those deals fall. And of course, speaking of frame of reference, our business used to be like that back when the software business was an upfront license business and so forth. But for us, it makes this difference on the margin. But the margin is what is significant when we're comparing one quarter to another, at the level of when was 10.5, 10.9, and so forth. It's to do with these asset analytics deals.

Werner A: Yeah, maybe I add like in for asset analytics, like Q2 and Q3 last year was particularly strong. And the opportunities for bigger deals are more towards the end of the year in 2025. And on the M&A side. So just to say, we don't need M&A to be within the outlook range for our ARR. There are a number of transactions that we are working on. We expect that we close at least one by the end of the year.

Over the last few years, our contribution to constant currency ARR growth through M&A was between 40 and 70 basis points. And we do expect for this year that we are roughly within that range again. And our Q3 year-over-year ARR growth rate that we're showing is purely organic. So, there's no benefit from M&A at all. So, 10.5% purely organic. And without China, it would be 11% purely organic.

Eric B: Thanks, Taylor. Next question comes from Siti Panigrahi from Mizuho.

Siti Panigrahi: Thanks for taking my question. I want to ask about macro. If you think about last year, there was so much uncertainty, election going on, interest rate high. How do you view the macro now in this environment right now, heading to 2026? And Werner, anything that we should think about in 2026.

Nicholas C: Well, I'll start on the macro. It remains robust. The backdrop is the same. The end markets are strong. There's never been more demand for better, more resilient infrastructure around the world. The only exception we've talked about for a long time now is China.

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And then, I mentioned in my prepared remarks briefly Australia. In Australia, it's a bit of a crosswind. You have less investments in the transportation infrastructure than we've seen in the past few years. But on the other hand, you have more investments going into mining. So, as we get into—we're starting to look into 2026, we are not expecting a change of the overall demand environment. We expect the demand environment overall to remain robust.

Greg B: I'll say that a difference from a year ago in the world, if we step back, is this notion, unfortunately, that each country needs to be self-sufficient in its resources and requires infrastructure investment and, if you like, even some redundant infrastructure investment to do that.

And then the other factor, for instance, the COP conference this year, the theme is on adaptation, and adaptation, as part of resilience, is the work of civil and structural and geotechnical engineers. And it's just understood we need to get on with that evermore. Those are changes that maybe resulted from politics, but they end up adding to the demand for the work of infrastructure engineers. And again, there aren't enough of them without going digital.

Eric B: Thanks. Next question comes from Guy Hardwick from Barclays.

Guy Hardwick: Hi, good morning. Just a quick one for me. So, last month, there was speculated in the press of a merger between the number two E&C firm globally and the number four player globally. I was just wondering, consolidation amongst your larger E&C customers, what are the kind of positive and negative implications potentially for Bentley?

Greg B: Well, some of that has taken place in the past and has not been to any disadvantage. In other types of, if you like, design software, it might be R&D functions that would be consolidated.

The way that our software is used by the engineering and construction firms is in their throughput of production. It is the means of producing their product. It's their factory floor, if you like, and a combination makes them larger but need no less software. And we tend to be the choice for larger firms. The consolidation, I think, is ultimately benefited us because of the type of technical platform cooperation that we're salivating now to do with expanding our APIs for AI, to have our analytics and simulation engines be available for the development to be used to

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provide the engineering precision and context in AI developments that the larger firms, as Nicolas pointed out, are more investing in.

It's going back to, as I was saying with Jay, this notion of being technically shoulder to shoulder, as well as commercially shoulder to shoulder. I think that benefits from consolidation.

Guy H: Thank you. Given time constraints, this call's gone for an hour, so I'll leave anything else for follow ups. Thank you.

Eric B: Thanks, Guy. The next question comes from Koji Ikeda from BofA.

Koji Ikeda: Hey, guys. Thanks so much for taking the question. Listening to the call on the commentary, lots of commentary on external AI opportunities out there for Bentley. But I wanted to ask about an update on how you guys are internally using AI to drive productivity gains and sales, R&D, G&A; and, longer term, what could the internal use of AI mean for margin expansion for Bentley? Thank you.

Nicholas C: Yeah, thanks a lot for the question. I did touch on it when it comes to our own internal use of AI for product development. But you're right, we are actually expanding the use of AI across business functions. And we've seen some quality improvements in lead nurturing, for example, or user support.

So, we see AI definitely as a way of making our existing colleagues more productive. And, therefore, it will help to increase both the top line and the bottom line. That's our expectation going forward.

Eric B: Thanks. Our last question comes from Joshua Tilton from Wolfe Research.

Joshua Tilton: Thank you, guys, for sneaking me in. Can you hear me?

Group: Yes.

Joshua T: I've been jumping around this morning, so I apologize if it's been asked, but I think it's very important. Greg, you always stress how predictable this business is, and I think that's what people really love and enjoy about it, or at least it's one of the things I think they do.

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Last quarter, you had already told us that you expected this to be the low point of ARR growth for the year. I guess my question is, was that in line with your expectations or did it come in even below what you guys thought? And the reason I'm asking is because should we just view this as right down the fairway with your expectations and continued confidence into Q4, or did things maybe trend a little bit worse than you were expecting, even below that low point you guided us to last quarter?

Greg B: Well, I think it's the former. But Werner, I think it's worth wrapping up with a summary of the factors and how that's different for Q4.

Oh, you're on mute.

Nicholas C: You're on mute.

Werner A: Can you just repeat the question? Sorry.

Joshua T: No problem. I was just asking, you told us that this was going to be the low point for the year. And I think, we're just trying to understand was that low point in line with your expectations and we're just as confident in Q4 as we were 90 days ago when you told us this was going to be the low point, or was this low point worse than you were expecting, and then we should adjust your expectations for Q4?

Werner A: Understood. Sorry. So, I think we're exactly where we expected to be for Q3. It's clear that Q4 is a big quarter for us. Like most of the renewals are in Q4—or like not most of them, but a very significant amount of our annual contract renewals are in Q4.

We see the pipeline is as we expected it in our outlook, and we will focus on strong execution as we did year-to-date. And then, we, as we said, have the opportunities within asset analytics and programmatic acquisitions. That makes us confident that Q3 will be the lowest point. And we are going up from here, if you will.

We feel the same as we as we felt like a quarter ago. So, we are on target, if you will.

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Greg B: I don't know whether you caught it Joshua, but Werner quantified the year-to-date contribution from programmatic acquisitions in our year-over-year ARR growth is zero this year, and it's generally 40 or 70 basis points. And we actually may wind up there, because we continue to strategically prioritize asset acquisition opportunities.

And the asset acquisition opportunities, just to go back to that, are the lumpy deals. And back when lumpy deals were part of our business, which has been a long time ago, we remember they usually occur in Q4, and this year doesn't seem different, even though, as we got started with asset analytics last year, we had some big deals in Q2 and Q3.

So again, it is a big, reliable flywheel, but it has on the margin these changes. And I'm grinning because I think those are the right things for us to be doing. Asset analytics is the ground floor of a huge opportunity that AI enabled. And even though it's going to be a bit of a nuisance, it's volatile nature ultimately will spread it all out as we gain critical mass and escape velocity there, as I say. And I feel that's coming closer strategically.

Joshua T: It makes sense. Very helpful. Maybe just one last one before you kick me off. You guys had the Year in Infrastructure conference. Lots coming out of it. We also had Autodesk University a quarter ago. So, announcements across the industry. I guess, if there is one announcement that you think is going to be the most needle-moving for the business that investors should be paying attention to, what would you call out from the Year in Infrastructure conference?

Nicholas C: I would say, short term, Connect. Bentley Infrastructure Cloud Connect.

Joshua T: You heard it, guys. Thank you very much.

Nicholas C: New foundational layer for Bentley Infrastructure Cloud. Bringing a lot of capabilities that used to be in the different enterprise systems that we brought together under the umbrella of Bentley Infrastructure Cloud. And, basically, where data is being federated in order to be used for AI purposes.

Greg B: And I would just say, stepping back, a contrast among these announcements—you have other vendors out there whose products have always been separate. And there's been no way to get data from one to the other. Of

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course, AI models enable them to say, "okay, if you pay us now, we'll actually help you get data from one application to another." From our standpoint, it's all been integrated, a common schema. We're way ahead on that point.

It's not a matter of monetization. It's a matter of improving the form factor to make it even easier to use, and even easier to use with AI agents and API consumption. I'd say AI, and put the P in the middle. That's how we want to be, a platform vendor to fit that in to our existing enterprise accounts. And that's, of course, a different go-to-market motion for AI for the SMB firms.

But what I think Nicholas says, that the Connect is important because it brings this down to the level of every user so that it's intuitive and immersive and geospatial and new. But the back end of how things are integrated together, we're not inventing now. We're leveraging now.

Eric B: Thanks. That concludes our callback. We thank you for your interest and time in Bentley Systems. Please feel free to reach out to Investor Relations with further questions and follow up. And we look forward to updating you on our performance and coming quarters. Thanks a lot.

Werner A: Thank you.

Greg B: Cheers.

Nicholas C: Thank you.