Bentley Systems | RBC 2025 Global TIMT Conference | November 18, 2025

Matt:

All right. Making our way through the morning, we've got a really great stretch of companies here and we're continuing the trend here with Bentley. We've got Greg Bentley, the executive chair. I'm so used to calling you CEO, but founder, co-founder and executive chair Greg Bentley. You've been the executive chair now, I think it's a little over a year now. Is that about right?

Greg Bentley:

Yep.

Matt:

But you're still actively involved. We were just saying you're still actively involved in the company and capital allocation decisions and broader strategy. Could you just give us a sense for, I guess, what are you doing these days at Bentley, and what are you excited about now as you look to the future of the company?

Greg Bentley:

Well, Matt, by the way, thanks to each of you for your interest and attention here today. As executive chairman and being a finance guy by background, I expect to always be involved in capital allocation. But the fact is that I enjoy meeting investors. And for the time being, I'm hanging on to a role in investor relations as well. Of course our four Bentleys are the majority of our board of directors and take an active interest. I'm the oldest of them.

And I have had the question, should we expect that there's a transition in ownership of the company from the Bentley family interests to other investors? And I say, well no, I don't necessarily expect that myself. Since the company went public five years ago, on average our family's holdings when we checked have gone down by about a percent of ownership per year, but still are the majority. And we're very enthusiastic about our opportunities, and are very much aligned, therefore our company's ownership with those of our long-term investors. And of course what there is to be excited about is that we have a new generation of management, literally, our CEO and other C-level folks. We worked hard to recruit and develop people who are in their forties in general and look forward to their generation of stewardship of the company in time.

Matt:

Yeah. Well, you took my second question. So I asked you this last year and you said, so the answer on family ownership is kind of similar to what it has been at this point.

Greg Bentley:

I don't know otherwise.

Matt:

Yeah, yeah, it certainly feels like you have built and continue to have long duration growth and margin expansion opportunities. And so that certainly has been consistent there. And I guess to that point, you guys have delivered very consistent results this year. We always say it's sort of wash, rinse, repeat with Bentley. The consistency since your IPO has been remarkable. When you sit back and reflect on ... And you've got such a diverse global business with multiple brands and multiple theaters. Talk to us about the demand environment right now, just at a very, very high level from your perspective. And then we can drill down on that further.

Greg Bentley:

Well, what's consistent across the products and the world is that we're the quartermasters, if you like, providing the digital tools for civil engineers, structural engineers, geotechnical engineers, and those who work with them. And the end market demand for their work has never been higher. And it's literally better each year in terms of their backlogs. There's a resource capacity shortage of engineers in the US. The engineering firms on average have one out of every nine positions unfilled. So the consistency in our business corresponds to the consistency of requirements for infrastructure engineering in the world. And developments on the margin are only emphasizing that. If we just talk about this year, you have the impulse for each country in the world to be more self-sufficient in terms of critical resources and defense requiring redundant infrastructure expenditures, if it came to that. And as we sit here, the climate summit in Brazil has appropriately turned its focus realistically to adaptation as being needed for inevitable climate change. And that's the work of civil and structural and geotechnical engineers.

And in general, we had a country in the Western world this year where the lights went out for a couple of years. Just a reminder that quality of life depends on the quality of infrastructure resilience. And as it so much ages, there's more work to be done to keep it fit for purpose and so forth. I know we'll talk about AI being able to help with that. But if we talk about maybe tying in the subject of consistency in our end market with our operating results at Bentley Systems, there's a way in which it coincides. Our enterprise accounts on our E365 pure consumption program, which is the majority of our ARR now, pay us purely for consumption. We don't have revenue in ARR except as they use our products by the day. Now of course they pay us once per year, so there's no change to our cash flows, but there's nothing we account for on a multi-year basis and so forth.

But these accounts are relying on going digital to make up the resource constraints in engineering capacity and have tended to ask for ceilings on their consumption charges under E365. And we've said, "Yes, we're agreeable to that provided you'll grant us a floor that began a few years ago and has become the norm." It's not a condition of our contract, but it happens to be the basis of the negotiation now each year in general. And the accounts have said, "Well, actually we have other vendors for whom we lock in a multi-year contract." Now that's not good because it doesn't matter what we consume, it may be shelf wear for us, so we'd much rather have consumption. But could we look out and bound our consumption with floors and ceilings over 2026 and 2027 and 2028 perhaps?

And we have said this gets to the nature of the ownership and preference of our company. Well, we depend on and are committed to double-digit ARR growth. But if the account is willing to escalate the floor and ceiling each year by an amount in double digits, we don't mind having more visibility into the future that that would result in. And so that now is the majority of our ARR dollars from E365, which is the majority of our ARR. That there are multi-year escalated floors and ceilings that get negotiated each quarter in the renewals for those accounts. And that gives us a glimpse into the expectations. It's a new glimpse each quarter because it's a new set of negotiations. And it's all over the world and it's all disciplines and end markets for us. But it tends to average about 10%, that engineering firms say, "Yes, if you'll bound us at 10% spend more each year, we're happy with that and we'll grant you the 10% escalation in the ceiling."

So we could be a firm that would say, "Oh no, no, we may be giving up some upside." But we're in our 44th year, we're happy with double-digit ARR growth. And this gives us kind of a flywheel of predictability, which has been the case this year. Now, I say with that flywheel on the other hand, that positions us well to be willing and able to take on some more volatile new business opportunities, such as the asset analytics business where we charge asset rather than per user or per usage. And that is much lumpier because we're competing for big procurements. We also have in our ARR growth the coming and going of ARR that we onboard with acquisitions. And those have become much less predictable as we strategically preferred to focus on the opportunity for asset analytics acquisition. So those have become episodic and added volatility for the total ARR growth. But the ARR growth from the mainstream of our business has become more predictable.

Matt:

Yeah, and I guess do you envision a point in the future where ... I mean it would somewhat depend on E365 penetration. But what percentage of your business could be consumption in the future? Maybe it's not 100%, but is it 90%?

Greg Bentley:

Well, for all the enterprise accounts are about two-thirds of our business. And so far we're about two-thirds in the process of upgrading them onto the E365 consumption subscription. Previously they owned perpetual licenses and paid us for subscription on that. And we started with the largest accounts and we're working our way down. So we have several years at the current rate remaining to get all of the enterprise accounts. We count an enterprise account as those who spend a $100,000 a year or more with us. Those are accounts, engineering organizations of the scale to have central toolsmiths who are choosing the tools. And with E365, we embed our own people into the company, into the E365 account for the year to help them instill new digital workflows and expand our tools and competitive displacements and so forth. But they have to have a central group that we can work with, and that's about at a $100,000.

So we have years ahead of getting round, because there's a capacity constraint on our part, we have to provide the staffing to dedicate these experts of ours, civil and structural and geotechnical engineers, into the each E365 account has named Bentley success people on their team. And we have to upskill people to provide that role. And so we have years left before we'll get all of the enterprise accounts on consumption. Now of course, the mix of consumption will start to change and include new types of consumption, but that will I think be the bulk of our existing business where we charge per user and usage. And then we had this new opportunity, asset analytics, where we charge per asset.

Matt:

So when we think about the durability of that 10% growth, the question that we often get is what are some things on the margin that could ... IIJA was certainly part of a growth element several years ago. But when you think about some of the big moving pieces, whether it's federal funding, permitting reform, asset analytics, what are some of these bigger elements that could be some of that incremental growth beyond sort of that floor and ceiling increase on an annual basis?

Greg Bentley:

Well, and recall that the 10% I'm talking about there is for the enterprise account mainstay of our business, but we have managed an additional 3% of ARR growth-

Matt:

From Virtuosity.

Greg Bentley:

... from SMB, the new prospects for us, because we're 93% direct sales and SMB is a new focus for us since IPO. And that's providing the other 3% or so. But across the world, governments have greater commitments to infrastructure spending, public works and utilities being the largest end market sector for us, followed by resources. And in each of those, the requirements for the reasons of the sort we've been talking about are greater than ever.

So in the countries of Europe and the UK and Germany and at the EU level, new spending commitments and programs. The Middle East always strong but stronger than ever. In Asia, Australia's had a slowdown in transport spending. But now with the Brisbane Olympics in 2032, a very strong new program starting. India is committed to, they say their Developed Economy 2047 program, which is mainly a program of infrastructure spending. And I might say that, speaking of developing economies, we showed some market research that as a country would advance and grow a quintile in GDP per person, the infrastructure engineers double what they spend per year and so forth. So that's a source of future growth for us as well.

But finally, this notion of critical resource constraints, and I suppose you could say by the way, electrical power is a critical resource. And it isn't, I think, even so much that the demand for data centers has caused this. Our grids are overstressed and overaged and we haven't added new capacity. So finally being able to get past the permitting obstacles for both grid expansion, new capacity corridors for transmission and new mining exploration, those are two major opportunities of ours. Our sequent subsurface modeling business, which is now more than 20% of our company, the power line systems acquisition, the world's tools for physical design of the transmission and distribution grid, that those already are our fastest growing parts of the company and are poised to grow faster.

In the case of power line systems, it already has doubled since we acquired it three years ago. I said at the time, there aren't many aspects of our business that could grow by an integer multiple. This is one. The integer so far has been two. But with the opportunity for permitting reform ... Of course that won't happen immediately because even though in the US we may have permitting reform legislation, that won't mean that the permits are automatically-

Matt:

It takes time.

Greg Bentley:

It takes time. But that looks like another opportunity for the future.

Matt:

I have to ask, we've been talking about IIJA for years and years and it's set to expire next year, what are the prospects from your perspective on the next iteration of that? What is the scuttlebutt in the industry on?

Greg Bentley:

Well, certainly the engineering firms monitor it very closely. A technical change will be that the IIJA was the first federal infrastructure spending which went beyond surface transportation to add funding for broadband, grid and water. Because those traditionally have been funded privately or at the state and local level in the United States. That aspect is unlikely to continue under this administration. However, broadband, grid and water are abundantly funded at the private level in the United States. So the successor to IIJA will be a regular every five years surface transportation funding bill funded primarily by the gas tax. And what's I think most gratifying about this is that I think in the US, after IIJA, we no longer say the word stimulus after infrastructure.

Matt:

Oh yeah.

Greg Bentley:

We recognize it's essential for quality of life. And there has been a good returns on the investment. We have some infrastructure we can actually be proud of instead of ashamed of in the world. And certainly electrical capacity is a case in point of something for which there's no substitute. But in the replacement surface transportation bill, the discussion is of baseline levels that will start at the IIJA level for surface transportation and go up from there. So I think we've learned that infrastructure is a great investment.

If I go back to the other countries in the world that I talked about, when we talk about Europe especially, there could be a concern, maybe in this country too, governments are going to run out of the money. They're not going to run out of their intention and responsibility to provide infrastructure. But what about the fiscal capacity? And of course the answer to that is there's more than enough private investment that would like to be invested in infrastructure. And it's bound to happen. And when it does happen in the future ... Because the impediment now is governments not allowing private investment in public infrastructure. When it does happen in the P3s, for instance, in Canada and Australia, it's always a design, build, operate, maintain concession. And the consortia that bid on that are going to win the project and make money because they have a digital twin approach in mind to utilize the engineering designs throughout operations and maintenance as a competitive advantage. So that will actually accelerate going digital and infrastructure engineering.

Matt:

Well, that's a good segue into AI. I mean, you guys have been focused on AI for years. And digital twin has been a big part of your strategy. How should investors think about how Bentley is embedding AI into their platform to enable customers to see even more benefit and advance models in the future?

Greg Bentley:

Well, an efficient way to look at that would be to view on our website our CEO Nicholas Cumins' keynote last month at our year end infrastructure conference where he spoke about that for an hour and gave some demonstrations. But you're right that AI isn't new for us. The digital twins tend to start with reality modeling from overlapping video in a drone. And when you process that into a engineering-ready reality mesh over the past decade in our products, you use computer vision AI to recognize and classify the digital components. Our engineers have used our generative components for scripting that can be automated to create and explore a whole universe of design alternatives. And in something like water systems operations, using neural networks to locate and predict leaks have all been uses of AI in the past.

But now we have AI-native products and ... As an example of the additional value they can create, our OpenSite+ for the simplest of civil engineering problems, a site design, here we optimize the cost of grading and drainage by running tens of thousands of alternatives. And in general, average about $10,000 cheaper per acre than would be the best design than an engineer would be able to do themselves interactively specifying an alternative and costing it out. So if you let AI help with the optimizing, you run the software a zillion more times, but you end up with a improvement in quality of the result. So that's a particular unusual case where you can measure the value. In most of infrastructure it's more complicated, there's more factors. You can't quite do that. The value produced by AI is comparable, but you can't quite measure it in the same way.

The greatest advantage that AI is going to bring in infrastructure engineering is to reuse existing designs informed by how well they've performed as tracked through a digital twin during operations and maintenance. And that's not something that existing, that human engineers are very willing to do the work to do, but AI is great at it. And our new Bentley Connect offering, foundation for our Bentley infrastructure cloud of ProjectWise, AssetWise and SYNCHRO, will provide an entry-level opportunity for users to federate and search and query their existing data, because it's their own data that they can use to train their own models or refine the training of models that we provide. But in particular so that the economics of each product are improved by starting on what's already been designed and proven. And the quality will be better and the risk will be low.

Matt:

Is there an element of a network effect? Because you implied that it's their own models that they're being trained on. But is there a community effect that if it's some randomized data across customers that can sort of better provide uplifts to the entire platform? Or is there no element to see kind of a network effect?

Greg Bentley:

Well, we are very clear that our users' data is their data. And intellectual property concerns are the principle caution that engineering executives have about AI. We don't have any of our users' data, it's their data. We will provide the tools for them to train AI models on that data because it's all in Bentley infrastructure cloud, for their own competitive advantage. And to the extent that an owner, a department of transportation or a airport has rights to that data, they will be able to use that to train a model specific to those assets. But it's only if they would contribute it to be used in training that we would do. And we even have a particular pedigree that we can track what data we have used.

But it's our attitude that by virtue of Bentley infrastructure and ProjectWise, which has captured the engineering projects for most infrastructure engineers for their lifetime, that that can be and should be an advantage to them and their own development of their asset analytics opportunities themselves for future projects to reuse that data and to provide with asset analytics the operations and maintenance logic and optimization for the assets that they've designed.

Matt:

So from a monetization perspective ... Because the question is, it's great that you guys are focused on adding more AI capabilities, ultimately it should drive higher consumption over time. Is that sort of the premise on providing some of these extra features?

Greg Bentley:

Well, it won't drive more consumption per user per day, will it, because the user will get more done in a given day. So the usage it will drive is what I call API usage. So AI used through an API where our enterprise accounts are investing in AI. They aren't investing in AI to replace their engineering calculation tools. They wouldn't take the risk of doing that, they don't need to do that. They'll surround applications like ours with agents that help a user, an engineer get more done without having to sit there in front of the screen while it occurs. And that is an example, as in the example I provided before, will greatly increase the total consumption. We'll end up monetizing not only attended consumption, as we do now, but also the API consumption. And we're now working with our users for how that would be fair. In the meantime, we're encouraging as much of that API consumption as they will do because we will be monetizing it in the future.

Matt:

I have about seven more questions and we have four minutes to go here, so we'll try to do some of these quickly. I mean, you mentioned asset analytics earlier. It really does seem like a driver for '26 and beyond. How should we think about asset analytics contributing to the model? Like you said, it's a little different pricing mechanism, but ...

Greg Bentley:

Well, where this came about, a digital twin make sense. All of the engineering logic that the owner pays for only gets used traditionally once during the project delivery, the original ... After construction, it's abandoned. Whereas the structural and the civil and mechanical logic should be used to optimize the maintenance of the asset over time and make sure it's still safe, and only do the necessary maintenance. Spending less to do only the necessary maintenance is the driver that makes digital twins cost nothing or negative, and is an opportunity for everyone. But if you had to start with a new project for a digital twin, that can be a long sales cycle. With asset analytics, you can have an instant on digital twin with the result of a drone flight, for instance, for a cell tower. Or in the case of roadway miles, our Blyncsy uses AI on dashcam data that's available anyway every day from the fleets that are transiting the roads to recognize what needs maintenance.

So you can turn on a digital twin immediately with asset analytics. And we use the term because we charge per asset per mile or per asset per year. And there will end up being a asset analytics solution for every infrastructure asset over time. We would like to have our platform be the foundation for the cloud services to do that, and to have the engineering firms be adding their own trained models, their own engineers who won't need to spend the time they've been spending. Instead can apply themselves to optimizing the maintenance and to add their own bundled services to our application layer. So our capital allocation priority for the past couple of years has been to do acquisitions that add special asset specific logic to our platform. And we haven't done one yet this year, but we expect to conclude the year having succeeded in our aspiration for really owning the space for asset analytics.

Matt:

And then maybe just from a broader capital allocation perspective, it's been a while since you've done Seequent and PLS. And you're actively involved in capital allocation decisions right now, especially from an M&A perspective. What are the prospects of a larger deal, similar to those two prior-

Greg Bentley:

Well, I say that we, Bentley Systems, would like to continue and expect to continue to be a consolidator. And this example of asset analytics is a case in point. There are many worthwhile startups that have focused in particular asset types, but to have a whole broad platform for the digital twin is beyond what they should be working on. And putting those together is our capital allocation priority for the moment. And we have many good prospects underway.

Matt:

And maybe just to close, you've been involved with Bentley for over 40 years, when you think of big moonshot or, boy, 10 years from now, that would an audacious goal for Bentley, what are some of the big dream the dream moonshots that you think about for Bentley?

Greg Bentley:

The opportunity is in asset operations and maintenance, to use the engineering knowledge and intelligence to optimize and spend only what's necessary on maintenance, to monitor with continuous surveying, continued safety and to improve the performance and lifetime and fitness for purpose. That fortunately is the vision of our new management generation. And it's orthogonal to, and an opportunity in addition to our existing per-user business. But this per-asset business is our destiny foreseeable.

Matt:

Yeah. The S curves of growth seem ... It's got some duration to it and-

Greg Bentley:

We're going to reboot the original S curve for Bentley Systems in this asset analytics opportunity I think.

Matt:

And doing it in a very profitable way from a margin expansion.

Greg Bentley:

I go so far as to say it's what we should do because our business is otherwise so predictable. End markets are so stable and so forth, we should be taking on some risks to go for this. Our partner, Google, is providing a lot of the data needed and it's very exciting.

Matt:

And so with all that said, you still think from a predictability standpoint, we should think about 100 basis points of margin expansion despite some of these investments?

Greg Bentley:

I say about margin expansion, when you have it ingrained that we get more efficient by 100 basis points per year and everyone expects that, and we accomplish most of it through our scale leverage of being direct sales, if you see what I mean. If you had indirect sales, you spend the same amount on go-to-market every year as a percentage. With direct sales, our enterprises spend 10% more and our cost of going to market is three or 4% in our annual raises. That falls into the bottom line.

When you have that ingrained, you don't try to renegotiate it every year because there's always new opportunity. And we're better simply to stick to this. We have managed to compound our free cash flow per share while public for the five years at 14% plus. And we expect to be able to increase that next year with reducing our share account as we retire our convertible debt. And when you do that, you compound the basis for valuation doubling every five years, as we have done and probably as we have done for 40 years. And I hope to do so and it's our plan and my responsibility for the future to make sure it happens.

Matt:

Well, from all of us at RBC, thanks again, Greg, and thanks, Eric, for supporting us. Cool.

Greg Bentley:

Cheers.