Bentley
Advancing Infrastructure

Bentley Q1 2025 Earnings Call Transcript

Eric Boyer: Good morning and thank you for joining Bentley Systems' Q1 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 May 7, 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 May 7, 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 and, as always, thanks for your interest in BSY.

Of course, CEO Nicholas and CFO Werner will report in detail Bentley Systems' excellent operating and financial results for the first quarter of 2025.

But given the heightened uncertainties in global markets since we last spoke just two months ago—at which time, I reviewed BSY's financial compounding, over our almost five years since going public—this time, I will highlight our corresponding and intentional progress in the attributes that make our model resilient against macro vulnerabilities and cyclicality.

To this end, we have improved our business mix along the dimensions of infrastructure sectors, infrastructure lifecycle, our commercial models, account scale, and geography.

We can track this by comparing, over this period, the charts within our introductory deck for investors, which quantify the distribution of our business footprint.

Now, our allocation within infrastructure sectors is so distinctively significant that we start our description with this breakdown of our ARR by end market.

Scaled in area within each of these pie charts, here's how our ARR growth has developed from its comparable distribution at the beginning of 2020.

Among infrastructure sectors, commercial/facilities and industrial are, by far, most subject to both demand and interest rate cyclicality.

For us, these sectors' combined proportion of total ARR is now less than one-sixth, down by about half from pre-IPO, in favor of much more consistently robust sectors.

And our overall business resilience has been proactively enhanced by our 2021 and 2022 platform acquisitions, growing fastest for us and in the most promising infrastructure sectors.

First, led by Seequent's leadership in subsurface environmental modeling, the resources sector and geoprofessional disciplines, which were only a single-digit proportion pre-IPO, now comprise almost a quarter of our ARR.

New applications for civil infrastructure are serving to help offset capital markets sensitivity delaying investment in new mines.

Most auspiciously, long-term fundamental shortages of self-sufficient supply for metals and minerals are spurring government priorities to expedite permitting for such essential capital projects.

Next, our Power Line Systems platform acquisition has made BSY indispensable for physical investment in the world's electrical transmission and distribution grid—the infrastructure sector poised to benefit even more, and I think even sooner, from permitting reform.

The new imperative for data center buildout is just adding to the many years of backlog of new capacity required to maintain and improve the power grid's reliability and security. The world has recently seen the catastrophic impact of failure in overstressed grids.

Our own longest-term opportunity relates to infrastructure lifecycle phases, deliberately advancing toward the digital twin future as our business mix gains an ever more resilient balance in sustaining asset performance.

Since IPO, our steadily growing lifecycle information management offerings have coalesced within the Bentley Infrastructure Cloud, now powered at a platform level by iTwin and Cesium.

AI will forever now be compounding, within each of our accounts, the reuse value of their own accumulated data across ProjectWise, SYNCHRO, and AssetWise.

And a compelling use case for digital twins is to leverage our leading simulation software portfolio, now having grown to about a quarter of our ARR, for continuous reuse over an infrastructure asset's operating lifecycle, and to quality-assure as-operated performance and resilience, and to maintain fitness for evolving purposes.

Enhancing such opportunities for diversification on the part of BSY between project and asset lifecycles, and reflecting our years of prioritizing investments in capabilities for operations and maintenance since 2009, our ARR directly from infrastructure owner-operators has now reached parity with our ARR from their project supply chain of engineering and construction contractors.

With infrastructure operations always essential and thus evergreen, compared to more discretionary project decisions, this has all succeeded in purposefully reducing our cyclical exposure.

Our resilience has similarly been enhanced by commercial model-driven improvements in the quality of our revenue mix.

Since pre-IPO, our recurring revenues have now reached a high-water mark of 92% of total.

We continue to sell perpetual licenses, now primarily to SMB and China, but its proportion of total revenues is down to low single digits.

Likewise contributing to the visibility of recurring revenue, the proportion of elective SELECT maintenance coverage for perpetual licenses has decreased by more than half.

Professional services have always been the most volatile among our revenue captions, especially as we have now bundled the recurring success professional services instead within E365.

And with revenues from our Cohesive digital integrator's implementation services for IBM's Maximo having rather precipitously declined, as a proportion of revenues, professional services—which, at best, generate low margins—are back down below our pre-IPO level.

And in preference to such dependencies on the vagaries of third-party enterprise asset management environments, our new AI-driven Asset Analytics initiatives can provide instant-on entry points for digital twins in operations and maintenance, and by way of ARR.

Enterprise subscriptions—our ever-growing mainstay—are now almost exclusively through our E365 program. There, we're compensated for embedding our success experts and quarterly blueprints to consistently improve our rates of accretion in each account.

Looking now at this breakdown of our ARR, as we do each quarter to show the E365 plurality continuously growing, we can also quantify how we have steered the ARR makeup within E365 to mitigate the intrinsic theoretical volatility of its daily consumption charging for our engineering applications.

In fact, almost all of E365 ARR is now subject to negotiated annual floors and (usually and symmetrically) ceilings on consumption charges, actually serving to increase the visibility and linearity of our overall ARR growth.

And most significantly for resilience, increasingly, we, and accounts covering now the majority of E365 ARR, have mutually agreed to extend these floors and ceilings over multiple years, graduating upwards at each annual renewal.

These pre-negotiated annual increments have tended to converge around our current high-water mark NRR of 110%, underscoring that these accounts are equally confident in the sustained resilience of their own businesses, and in the priority they place on going digital to surmount chronic engineering resource capacity constraints.

With our direct sales model (at 94% this past quarter), the increasing scale leverage provided by thriving enterprise account growth supports much of the annual operating margin improvement that underlies our own confidence in resiliently compounding free cash flow.

I believe our distribution of revenues by account scale is the hallmark of our qualifications and aspirations as the infrastructure engineering software company.

With growth since 2019, the number of accounts within each size tier has at least almost doubled—with now over 180 accounts at over $1 million in ARR, over 500 accounts with ARR between $250,000 and $1 million, and over 900 accounts with ARR between $100,000 and $250,000.

Serving this enterprise account portfolio more deeply and efficiently is the foundation of our distinctive resilience.

And a priority since going public has been our opportunity to also reach SMB prospects who need the same engineering applications, primarily through our digital go-to-market investments.

So, it’s gratifying to also quantify our corresponding cumulative success in new logos, as we’ve increased the number of accounts with ARR under $100,000 to just over 39,500.

And finally, a significant contributor to our stability and predictability is geographic diversification. We have long been fully scaled across the world. And while regional growth rates and, for that matter, exchange rates are always in flux, our plurality proportion of revenues from the U.S. has actually not changed since pre-IPO, amid better balance elsewhere throughout the Americas.

During this period, our business in Russia has, of course, been zeroed out, and importantly, our exposure to China has been halved to only about 2.5% of revenues, with much more than compensating relative growth elsewhere in Asia Pacific.

So, with all of these structural improvements in resilience, I conclude that, while we are presumably not impervious to disruptions, we have accomplished much to make significant disruptions less likely, and then, less impactful.

I think we are benefiting already, and for reporting on 2025, over to Nicholas, and then Werner.

Thank you!

Nicholas Cumins: Thank you, Greg.

We started the year off strong, delivering ARR growth, profitability, and free cash flow in line with our Q1 expectations.

Our results position us well in regard to our financial outlook for the year, consistent with our longer-term framework of low double-digit ARR growth, 100 basis points of margin expansion, and strong cash flow generation.

We remain confident in our ability to continue to deliver solid results, despite global macro uncertainties, given the continued solid demand environment, the backlogs of our accounts, and our resilient business model that Greg highlighted.

The most recent ACEC survey released in March showed a very positive outlook from U.S. engineering firms over the next 12 months. Our accounts remain cautiously optimistic, following the tariff announcements, as countries continue to prioritize infrastructure funding, some even more than before.

The fundamentals of our demand environment remain the same: a critical need for better and more resilient infrastructure, a continued shortage of engineers, with the number of unfilled positions consistently around 9%, and, as a consequence, backlogs extending further out, as reported in the same ACEC survey. All of these factors point to a strong demand backdrop for our software to help improve the productivity of existing engineers.

Focusing now on Q1 highlights, ARR growth was 12% year-over-year and 12.5%, excluding the impact of China. Solid growth in the quarter was supported by our net revenue retention remaining at 110%.

Our E365 program continues to be a growth driver, in particular from renewals.

And we again added 300 basis points of ARR growth from new logos, mainly SMB.

In fact, we added more than 600 new logos through our online store for the 13th straight quarter. Retention remains high within the segment. We expect renewals to be further supported as we expand our auto-renewal process to more countries, and continue to automate meaningful touch points during the subscription.

Our tone of business by infrastructure sector in Q1 remained consistent with previous quarters.

Public works/utilities was once again the main growth driver, as governments around the world continue to fund infrastructure at robust levels, while commercial/facilities remained flat.

Growth in resources remained solid, despite continued softness in new mine investments, while growth in industrial remained modest. Over the coming years, these sectors are likely to benefit from increased investment, in particular in the U.S., with the administration's drive to increase manufacturing capacity, energy production, and mining.

Speaking of mining, during the quarter, we introduced Seequent Evo, a powerful cloud-based platform designed to unlock the full potential of geoscience data. The launch of Evo comes at an opportune time, as the mining industry needs to find new ways to work faster and more efficiently to meet the global demand for minerals.

Evo provides a strong foundation for integrated workflows by bringing together geoscience data, from both Seequent and third-party applications, into a single, accessible source. It allows teams to generate insights from past projects and collaborate more effectively by working with the most up-to-date data.

Looking now at Q1 performance by region, trends remain largely consistent with previous quarters.

Growth was solid across Americas, with Latin America standing out.

The market outlook in the U.S. remains bright, with IIJA continuing for at least another 18 months, while the administration has also announced priorities favorable to continued infrastructure investment, including the overhaul of the permitting process.

States also continue to amplify the federal funding with their own infrastructure budgets—in particular for transportation, with the value of state and local government contract awards in Q1 up 34% year-over-year.

Also in the U.S., the American Society of Civil Engineers recently released the 2025 edition of its infrastructure report card. Produced every four years, the report card grades the state of U.S. infrastructure. This is, therefore, the first report since the inflection in infrastructure spending started with IIJA. The overall grade improved a half step from 2021—from a C-minus to a C. Though modest, the progress shows the positive impact of such investments and serves as encouragement for more. ASCE estimates that $9 trillion more are required to reach a “state of good repair” across all 18 infrastructure categories noted in the report.

Moving to EMEA, the region also had solid growth, with the Middle East standing out again, and continued infrastructure investments in Europe, including the U.K. There were a number of major announcements, such as the EU’s ReArm Europe Plan, which aims to mobilize close to 800 billion euros for defense-related spending, including the upgrade of dual-use transport infrastructure. Germany also announced a special fund of 500 billion euros for investments in infrastructure, including to help the country achieve climate neutrality by 2045.

In Asia Pacific, India was once again the main growth driver, with the strong performance of our structural engineering applications, including PLS.

China, which represents less than 2.5% of total ARR, performed as we expected given the ongoing economic and geopolitical headwinds.

Finally, I would like to highlight a recent announcement we made at the Google Cloud Next conference: the addition of Google Street View imagery and Vertex AI to our Asset Analytics offering for the road network. The combination of crowdsourced data, street-view imagery, and AI can greatly improve planning and operations, from standard roadway maintenance to disaster recovery—such as obtaining precise insights into the state of infrastructure before and after disasters to help plan and accelerate reconstruction efforts. As a concrete and meaningful use case, through the partnership with Google, we are working with the County of Los Angeles to support their recovery efforts from the Eaton fires.

Before I turn it over to Werner, I would like to call your attention to two reports we just published.

Our 2024 Impact Report highlights our leadership in sustainability and focus on ethical practices. As I noted in the foreword to the Impact Report, while infrastructure is essential to our quality of life, it also has significant impacts on the natural environment. That is why we focus on empowering our users to design, build, and operate more sustainable and resilient infrastructure. It is also why we work to improve our own sustainability, foster current and future infrastructure professionals, engage in our local communities, and more.

Our *2024 Infrastructure Yearbook* celebrates the outstanding accomplishments of our users. The *Yearbook* highlights over 260 remarkable projects nominated for the 2024 Going Digital Awards in Infrastructure program. Each project reflects the vision and talent of infrastructure professionals who leveraged our software to improve project delivery and asset performance.

I encourage everyone to check out these documents. They are both available to download from our website. If you want to order a physical copy of the yearbook, simply ask Eric, and we will be happy to ship one to you.

And with that, I will hand off to Werner.

Werner Andre: Thank you, Nicholas.

Indeed, we have started the year off strong in every respect, which puts us in a good position in regards to our financial outlook range for the year.

Total revenues for the first quarter were $371 million, up 10% year-over-year on a reported and 11% on a constant currency basis.

Strong subscription and licenses revenues in the first quarter were partly offset by lower services revenues.

Subscription revenues grew 11% year-over-year for the quarter, in reported and 13% in constant currency.

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Subscription revenues now represent 92% of total revenues, up one percentage point from the same period last year, improving the overall quality of our total revenues in terms of growth consistency, predictability, and margin contribution.

Our SMB and E365 initiatives continue to be solid contributors.

Perpetual license revenues for the quarter grew 13% year-over-year in reported and 15% in constant currency.

Our less controllable and less predictable professional services revenues declined 18% for the quarter in reported and 16% in constant currency, and now represent 5% of total revenues, down one percentage point from the same period last year.

As previously mentioned, the largest portion of our 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 14% in constant currency, and represent 92% of our total revenues, up two percentage points year-over-year.

Our last 12-months constant currency account retention rate remained at 99%, and our constant currency net retention rate remained at 110%, led by accretion within our consumption-based E365 commercial model.

We ended Q1 with ARR of $1.319 billion at quarter-end spot rates.

On a constant currency basis, our trailing 12-months ARR growth rate was 12% year-over-year, and consistent with our expectations.

Excluding China, our ARR growth rate was 12.5% year-over-year.

On a quarterly sequential basis, our constant currency ARR growth rate was 2.1%, slightly below our 24Q1 sequential growth rate of 2.2%.

With regards to seasonality, we continue to expect our quarterly sequential ARR growth to be back-half loaded similar to 2024 in line with our contract renewal seasonality.

Our GAAP operating income was $115 million for the first quarter.

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, or AOI less SBC, our primary profitability and margin performance measure. AOI less SBC was $126 million for the quarter, up 12% year-over-year, with a margin of 34.1%, up 80 basis points.

Our margin performance for Q1 has been strong, particularly when considering that the comparative period is a high benchmark, benefiting then from run-rate savings from the strategic realignment program, which we initiated in 23Q4.

Our 25Q1 margin benefited from our strong total revenues performance, our mix shift towards higher margin subscription revenues, and from certain discretionary Opex spend being slightly more back-half loaded in 2025, when compared to 2024. This will put us in a good position to deliver on our 100 basis points full-year margin improvement target.

As a reminder, we concentrate our annual raises for colleagues to occur as of April 1 of each year. And since approximately 80% of our cost structure is headcount and related support cost, annual raises have a significant impact on our operating expenses in Q2, Q3, and Q4, relative to Q1. Our larger promotional- and event-related costs are also concentrated in the second half of the year.

Our free cash flow was $216 million for the quarter, up $15 million, or 7%, and in line with our expectations for the first quarter.

Based on the expected seasonality of collections and expenditures, we expect to generate in the range of 60% of our full-year free cash flow during the first half of 2025.

We have previously discussed the cash flow efficiency of our operating model. In that regard, I want to highlight that we started to record our cloud services subscription deposits on the face of our balance sheet.

Historically, we recorded our CSS deposits as part of our accruals and other current liabilities.

Our CSS deposits primarily relate to our E365 commercial offering and are funded by accounts predominantly at their annual contract renewal, based on their estimated next 12-month consumption.

These deposits are subsequently applied to quarterly consumption invoices.

The working capital impact of CSS deposits is similar to deferred revenues and reflect collections in advance of expected future consumption revenues.

CSS deposits were $448 million as of March 31, 2025, and increased by $78 million from March 31, 2024.

With regards to our Q1 capital allocation, along with providing sufficiently for our organic growth, we deployed free cash flow as follows: $135 million fully paying down our senior debt, $10 million in convertible senior notes repurchases, $39 million on effective share repurchases to offset dilution from stock-based compensation, and $21 million on dividends.

With our senior debt being fully paid down, our net debt leverage, including our 2026 and 2027 convertible notes as debt, was 2.4 times adjusted EBITDA, down from 2.9 times at the end of 2024.

Our strong balance sheet and projected free cash flow generation will sufficiently fund our dividend, share repurchases, and growth initiatives, including programmatic acquisitions, as we continue our de-leveraging trajectory.

Our five-year senior secured credit agreement, which we entered into in October 2024, provides a currently undrawn $1.3 billion revolving credit facility.

Combined with our strong balance sheet and anticipated future free cash flow generation, it offers ample 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 fixed coupons on our convertible notes, and very favorable terms of our $200 million interest rate swap, expiring in 2030.

And finally, we remain comfortable with our 2025 financial outlook range that we provided just over two months ago on our Q4 call.

With regards to foreign exchange rates: for the first quarter, the U.S. dollar has weakened slightly relative to the exchange rates assumed in our 2025 annual financial outlook, resulting in approximately $1 million incremental revenues from currency.

Based on the most recent rates, where the U.S. dollar has further weakened relative to our outlook rates, if end-of-April exchange rates would prevail throughout the remainder of the year, our Q2 to Q4 GAAP revenues would be positively impacted by approximately $20 million, relative to the exchange rates assumed in our 2025 financial outlook.

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

Eric B: Thanks, Werner. Before we begin, I just wanted to remind everyone to please ask only one question so we can get to everybody today. Our first question comes from Joe Vruwink from Baird.

Joe Vruwink: Hi, great. Hi, everyone. Thanks for the time today. There's obviously been a lot of focus on what's happening in the U.S., and your commentary sounds quite positive. Maybe a few topics that would be helpful to address. First, since the states are responsible for much of the regular way infrastructure activity in the country, would you say your business also skews that way as opposed to federal?

And then, when it comes to the federal exposure, obviously the IIJA is a part of that. Are you seeing priorities under the current administration change, so maybe the headline numbers are unchanged, but underneath the surface, is it changing? And is it actually changing in ways that could be positive for Bentley?

And I'm thinking about how you have such high exposure to roads and grid work. That seems to be an area of interest that I think would be a net benefit for you.

Greg B: I'm going to jump in, sitting here in the U.S. To the first question, I think there is slightly more dependence on federal funding in our mix given the highway funds, our federal funds matched by the states, and, as Nicholas described, amplified by the states, but the greater portion is a federal portion, somewhat. The mix within IIJA has changed, will change.

But it's in keeping with the headlines you read about, the slightly different priorities by the Trump administration in regard to high-speed rail and renewable energy and so forth. But another change is this administration has less tolerance for discretionary grant programs and will end up making more of it by formula for the discretion to return to the states, if you like. And, over to you, Nicholas.

Nicholas C: Yeah, Joe, I think you described the right way. The headline number is expected to remain the same. It's the mix that is going to change. And, as you said, the mix might be actually in our favor as it changes, maybe more investment towards roads versus rail. And we're traditionally very strong with roads.

What is actually interesting here is the focus on efficiency, indeed, on cutting the red tape. And this is very well received by our users, by our accounts. Yeah, they appreciate that. And then all the push for permitting reform to make permits delivered much faster, which should contribute to then an increase in infrastructure work related to the expansion of the electric grid or even potentially mining.

Joe V: Thank you.

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

Matt Hedberg: Thanks, guys. Thanks for the time. Congrats on the results. Greg, it was a great overview to start the call. I think a lot of us think about some of the macro tides that we're hearing about. And I think that overview was helpful in thinking of the durability of the model. I guess, on the macro question, you illustrated there are some more sensitive areas like commercial—industrial and commercial and facilities.

I'm curious, in some of these more macro-sensitive areas, did you see any sort of deals extend or anything that would illustrate any sort of macro pressure there? And I guess, has April trended relatively similar to March? Obviously, it seemed like it from your results and your reiteration of the full-year guide, but just sort of wondering about some of those more macro-sensitive areas, if there was any sort of indication of macro pressure.

Greg B: I'm going to ask Nicholas to comment on closer-to-the-market, short-term feedback.

Nicholas C: Yeah. Hey, Matt. I mean, as Greg noted, commercial facilities and industrial are traditionally very sensitive to variations of demand and interest rates. And we think that this is what has happened, especially for commercial facilities in the remaining years.

I think, in industrial, there is a more positive sentiment, especially in the U.S., given the big push from the new administration to bring back manufacturing in the U.S., which will lead to more and more activities. But that's the extent to which I can comment. Yeah.

Greg B: And all of the above energy strategies are going to help industrial as well. But projects need to get underway.

Matt H: Thank you.

Eric B: Next question comes from Jason Celino from KeyBanc.

Jason Celino: Great. Thank you for taking my question this morning. The constant currency ARR growth in the quarter was really impressive, third quarter in a row of 12% growth. I don't want to say you're tracking toward the high end of your guide, because it's only been a quarter, but how should we think about linearity of that growth through the rest of the year? Thank you.

Greg B: Would you like to take that, Werner?

Werner A: Yeah, happy to do so. So, I think I would focus on, first of all, like the quarter, which was like a 2.1% quarterly growth, which aligns very much slightly lower than the 2.2% that we had like a year ago. And with Q1 '24 dropping off and being replaced with Q1 '25, our year-over-year growth rate remained relatively the same at 12%.

This was exactly as we did expected for Q1. And as you mentioned, it's early. Only 20% of our renewal opportunity is in Q1. But it puts us in a good position relative to our financial outlook range. But I think this is a good opportunity to just reiterate the expectation of seasonality for us.

So, we do expect that our quarterly sequential ARR growth allocation will be more in line with our quarterly contract renewal seasonality, which is with Q1 and Q3 at the lower end, Q2 higher, and Q4 being the highest. And then, with regards to year-over-year ARR growth, we expect Q3 to be our seasonal low this year due to the timing of potential acquisition and Asset Analytics deals, which were particularly strong in 24Q2 and 24Q3.

And these deals, we expect to be closer to year end in 2025. And then, the impact from this Cesium acquisition will be dropping off in 25Q3. So, that's kind of the framework how we think about seasonality as we go through the year.

Jason C: Perfect. Thank you, Werner.

Eric B: Thanks, Jason. The next question comes from Siti Panigrahi from Mizuho.

Siti Panigrahi: Thank you. Thank you for taking my question. Switching back to the product side, it's been like three quarters of Cesium acquisition. And also, recently, you announced partnership with Google. Wondering, how is that progressing? And what kind of opportunity you see in the Asset Analytics side? And what kind of traction you are hearing from customers?

Nicholas C: On Cesium, first of all, so we are progressing very well in adopting Cesium technology across our portfolio when relevant, whenever we need 3D geospatial visualization. And, with respect to Google, same thing. We're making good progress in adopting Google data—so 2D data, Google Maps, basically, as an alternative to Bing Maps, or Google 3D photorealistic tiles using Cesium technology, again, when relevant.

And with Google, as we just announced this quarter, we are going one step further in leveraging their technology and their data when it comes to asset analytics. And the first product to benefit from that is our product for the road network called Blyncsy, where we are leveraging Google Street View data for asset inventories and also to do comparison of before and after. And we're using, also, Vertex AI for stronger asset analytics.

So, the way we expect this to contribute is a larger reach. We can go after more geographies now, where the Google Street View data is readily available. That allows us to do asset inventories without relying on the provisioning of data by dash cam providers, for example. We expect more use cases—we know, actually, we're going to cover more use cases, but we also expect to have a higher win rate simply because we have a stronger solution, thanks to the integration with

Google. And I'll just say, we're still just at the beginning of our relationship with Google. There's much more we're working on. There's much more that is coming.

Siti P: Great, thank you, Nicholas.

Greg B: And as to roadways and Blyncsy, during the quarter, we announced two new deals with DOTs that are among many that are in the works, but most to come later in the year, we think.

Siti P: Great. Thank you, Greg.

Eric B: Thanks. The next question will come from Taylor McGinnis from UBS.

Taylor McGinnis: Yeah. Hi. Thanks so much for taking my question, and congrats on the quarter. If we go back to mid-April, I think the White House put out some guidelines for permitting reform. And it seems like, in the next 90 days or so, there's going to be more action taken. So, could you just maybe comment on the timeline or when you think that could start to serve as a tailwind to your business?

And I know, in the past, you've mentioned this being a tailwind specifically to Seequent and Power Line Systems. So, any way to quantify those businesses today and what that could mean potentially in the back half or into next year? Thanks.

Greg B: Well, I might jump in because I did mention that I think the permitting reform is necessary. But even when you have permitting reform, you still need to get a permit. And there's a latency there. It's just recognized as being urgent and needing to be addressed and while new mining is important and will benefit Power Line Systems and especially the grid capacity expansions.

And what I was referencing, of course, is what happened in Ibérica, that it's catastrophic to have overstressed grids fail. Some progress has been made toward that. But you might remember that I have said, about our Power Line Systems acquisition, that I believe—when we talk about our business in general, we're a subscription business that goes on a long time. Things can't change very quickly.

But I have said that the Power Line Systems business could grow by an integer multiple. Well, it will have done so already by the end of this year in the three years, by then, that we've owned it. But it really is poised to grow more quickly because it's indispensable, as we say, for the physical transmission infrastructure capacity expansion that the world needs in order to connect the renewables capacity that's coming online and to balance it in ways that the existing grid wasn't designed for.

So, we do actually have a portion of our business that is spring loaded, I think, to benefit from the permitting reform. It just can't happen even in one year, let alone one quarter. But it's already made a big difference for us.

Eric B: Thanks. The next question—

Taylor M: Great, thank you so much.

Eric B: Yeah. Thanks, Taylor. The next question is going to come from Jay Vleeschhouwer from Griffin Securities.

Jay Vleeschhouwer: Thank you. Good morning. Greg, the charts that you provided earlier, the before and after charts, on the number and scope of accounts was quite interesting and very useful. With that in mind, what is your pipeline assuming about the continuing trends of multisolution sales, particularly to your largest customers? Or conversely, given the current environment, are you seeing any possible signs of deal disaggregation, customers perhaps starting with something less than they might otherwise have done previously in terms of total Bentley consumption?

And then, relatedly, what are you thinking about or what are you seeing in terms of the work you're doing for existing infrastructure versus new, new infrastructure projects? Are you perhaps becoming increasingly tied to existing work and less so to new, or the other way?

Greg B: Well, my first reaction is that this year-plus backlog that most of our constituencies have is buffering and making it a little bit hard to discern what we're interested in just as much as you are in asking that question.

Another aspect of a buffer, in any case, is this tendency, which isn't our idea, that the accounts on E365 are glad to enter into multiyear escalation graduations because they know they have the backlog. They can see the incipient projects, see the return on investment—for instance, in the U.S., where we've improved our grade on infrastructure with IIJA—and want to know the boundaries of what they're going to be spending as they do more digital contribution. They substitute technology for labor over time.

So, you can kind of read in what's happening with the multiyear negotiations, which, as I say, we don't ask for, but we're glad to do it to kind of share the risk with our accounts. But on the very most recent feelings from the market, Nicholas, perhaps you can bring us up to date?

Nicholas C: Yeah, Jay, I'll make sure this is clear. Our accounts are indeed cautiously optimistic, and I will put more emphasis on optimistic than cautiously—cautious because they have to given the global economic environment, let's say, discourse. But when it comes to the fundamentals of their business and, therefore, our business, it's strong. There's never been so much demand for better and more resilient infrastructure.

The public funding is as strong, if not even potentially stronger, in some regions than it was. So, all very positive. Therefore, there is quite the opposite of a deal disintegration going on. Our accounts are, more than ever, leveraging E365 to access as much software as they can. We have great progress in SMB with our bundle of different products by engineering discipline, structural engineering, for example, or civil engineering, which is working quite well.

And then, to your second question, whether we are shifting from existing to—sorry, net new infrastructure to existing, I would say traditionally, of course, a lot of our businesses related to new infrastructure, but we see it as a major growth opportunity for the company to focus also on existing infrastructure. We definitely want to grow our percentage of ARR, which is tied to asset operations and maintenance. It remains very much a growth opportunity for us going forward.

Greg B: It is Nicholas's hallmark to accomplish that over his tenure to come.

Eric B: Thanks, Jay. Next question will come from Kristen Owen from Oppenheimer.

Kristen Owen: Great. Thank you so much for taking the question. We focused a lot on the macro in the U.S., so I want to shift the conversation a little bit to what you're seeing with your European customers, whether it's the potential for a meaningful ceasefire in Ukraine or maybe some of the more robust defense and infrastructure stimulus packages that you mentioned in your prepared remarks. Just wondering what you're hearing from your customers there, if you're seeing any of that optimism translating into backlog where we might see a mix of projects benefiting your portfolio. Thank you.

Nicholas C: Yeah, so our growth in EMEA overall was solid. That includes Europe as well. And yes, in Europe, we're still seeing the impact of major investments at the European level and at the country level as well. At the European level, I think we're not even at 50% of the funding of the NextGenerationEU plan, which was put in place a couple of years ago. We must be at 48%, so there's still more to come.

And then, in addition to this, there's quite a bit of investments that has been announced related to defense. And even then, it will include additional investments in infrastructure, effectively for dual use, so making sure that infrastructure is good enough that we can move troops and, let's say, military material as fast as possible. I think in the ReArm Europe plan, they've highlighted something like 500 points of infrastructure in Europe that must be upgraded in order to make sure that, in case of crisis, we can move equipment and people as fast as possible.

But those hotspots are used for both military and civil purposes. So, we can see a lot of investments coming. And then, just yesterday, the new chancellor, Friedrich Merz, was elected in Germany. And you may recall that he had suggested a massive plan of something like 500 billion euros in infrastructure, including 100 billion euros for clean energy. So, this is—yeah, this is just massive.

So, the way we're going to continue to benefit from that is investments going into transportation, investments going into energy security, investments going into overall resilience.

Greg B: And water. I might say from the U.S. perspective, I know, Kristen, we sit here in the U.S. and hear blather about what's going on in Europe. And I continue to be impressed by our performance by country in Europe, also the Middle East. But Europe are serious and strong about infrastructure investments, especially for resilience. And that's prior to the impetus that's occurred in the past 10 days with the grid.

Eric B: Thanks, Kirsten. Next question comes from Alexei Gogolev from JPMorgan.

Alexei Gogolev: Hello, everyone, and great to see you all. Greg, with recent military events unraveling between India and Pakistan, could you elaborate on your ARR exposure to those markets, please?

Greg B: Well, I'm going to—so, I commented that our R&D, for instance, is distributed all over the world. We are a global citizen. An example is Pakistan. We have a significant R&D center in Islamabad. English skills are good, universities are good, and the availability of talent has always been strong there.

But it isn't much of a market. In India, by contrast, where, like other software companies, we have a lot of shared services and software development, but we are a net exporter to India because of their expenditure on infrastructure and their—it's another great country for water, along with road and rail and airports and grid.

And Nicholas, maybe you can bring us up to date on the trends and directions. I know you called out India in particular.

Nicholas C: Yeah, India has been, and was again in Q1, the main growth driver in Asia-Pacific. So, we continue to benefit from massive investments on the local infrastructure by the Indian government. But we also have a lot of global firms who outsource work, especially structural engineering, with local talent in India. And this benefits us as well.

And we expect India to continue to be a strong growth driver going forward. Those latest developments are very much—there's been constant tension between these two countries, as you know. So, we have to be very careful in interpreting what's going on there.

Greg B: I don't want to make light of it, but Alexei, I remember asking our leader, our team leader in Islamabad when it was on the front pages for riots and insurrection and so forth—I said, should we be really worried about this geopolitical exposure in this place where we do critical development? And he said, "Look, this is ambient around here. We don't even notice it. If you want to help us, help be sure we have 24-hour power."

And so, we were able to help them get some generators. In other words, that's the attitude of the Pakistani people. They expect some commotion around them, and they recognize that it gets—what's the right word? It gets overplayed in the world. I hope that's what's the character this time, but, of course, we don't know yet.

Alexei G: Appreciate it. Thank you.

Nicholas C: I'll just say that—yeah, sorry—despite the fact that it's been such a strong growth driver, just to put things in perspective, India is still a single-digit percentage of our ARR.

Eric B: Around mid-single digits. Think of it that way.

Alexei G: Mid-single digits. Thank you.

Eric B: Great. Thank you. The next question comes from Blair Abernethy from Rosenblatt Securities.

Blair Abernethy: Thanks. Good morning, everyone. Just a question on the product side, if I can, as it relates to AI. So, if you look at the chronic shortage we've been seeing in the last five years or so in civil engineering and related infrastructure work, how are you guys looking at helping customers to really drive up productivity, specifically using AI? And then also, can you give us an update on how you're using or looking at using this new technology internally to drive Bentley's productivity?

Nicholas C: Yeah, so AI is going to be part of the solution, for sure, to allow infrastructure organizations to do more with less. We simply won't be able to hire enough people to fulfill all the demand for infrastructure. There is a big potential for efficiency gains by automating, through AI, some very mundane tasks that are just not the best use of the engineer's time.

And the first mundane tasks that we're going after, and that we commented on in previous calls, is drawings production. Depending on engineers, it can take 30%, 40% of their time in just going from a 3D model to a 2D plan and then manually annotating it so that it can be used in construction. It is just not a good use of their time. So, this can be automated for site plans. That's what we're doing with our first application that is leveraging AI for engineering, application called OpenSite+.

And then, we are making good progress in extending those capabilities to other civil engineering disciplines.

Now, we are in a great position to help there because, one, we're actually leveraging our very deep and broad portfolio of engineering applications to train AI agents. So, we're teaching those AI agents the rules of engineering. They don't have to guess them. And then, we're also in a great position because so many of our accounts are leveraging ProjectWise as part of Bentley Infrastructure Cloud to store their engineering files. And as they do this, we are leveraging our own digital twin technology to unlock those files, understand the data that is part of those files, making it ready to query, to reuse, and potentially to train AI, if and when our users decide so. So, one thing that makes us quite distinct is we made it very clear that we will not use our users' data to train AI, unless they explicitly ask us to do so. So, our AI agents are trained with our own engineering applications. They're fine-tuned with the data that the users are putting into ProjectWise and Bentley Infrastructure Cloud, if and when they want so.

Greg B: For that user's own purposes.

Nicholas C: Exactly, for their own purposes. And then, when it comes to our own internal use of AI, we are leveraging AI, let's say, across functions. And, of course, where we see the biggest impact is in our own development teams, where, very similarly, we have AI taking over the very mundane tasks that they don't like, like commenting. Or it can help us for repeat code parts, like mundane functions. All of that, AI can help and save quite a bit of time—10%, 15%, 20% of a developer's time can be saved like this through AI.

And we can see potential for even more. So, we're constantly on the lookout for new technology that is available that can help accelerate the productivity of our own developers.

Blair A: All right. Thanks.

Eric B: Yeah, thanks, Blair. The next question comes from Joshua Tilton from Wolfe.

Ivan Radojicic: This is Ivan here for Josh. Thank you guys for taking my question, and congrats on great quarter. We talked a lot about various funding impacts, but maybe just one on the DOGE side. So, how should we think about the resiliency of the budgets in relation to DOGE? What is the impact of DOGE on budgets, if any at all? Thank you.

Greg B: Well, we haven't heard of any impact from that. I have not. But I continue to hope that in the process of diminishing returns, it won't be long, because infrastructure provisioning being a bipartisan priority of government, if there would be a question of can we get fundamentally more efficient at that, and it is an opportunity in the U.S. just to catch up with the rest of the world in the application of digital twins.

If you look in the *2024 Infrastructure Yearbook*, you see candidly more progress elsewhere in the world, where they're more open, where the world is more open to new workflows in going digital, in the digital delivery. That has become a priority in the U.S. in certain states. But there's much more that's possible, and we hope they'll get to that.

Eric B: Next question, Michael Funke from Bank of America.

Matthew Bullock: Hey, great. Thanks. Thanks for the question. This is Matt Bullock on for Mike Funke. My question is on the Asset Analytics business. Could you maybe provide a little bit more color on the progress there and maybe help us frame the upside case for the remainder of 2025?

Greg B: Well, upside cases is what we're after with Asset Analytics. The rest of our business is so predictable. You've heard me say I really want us to go after some of this stuff that can really take off. And maybe, Nicholas, you can tell us your expectations for this.

Nicholas C: With great pleasure. So, Asset Analytics performed as expected in Q1. With Blyncsy, Greg mentioned that we want two DOTs, Florida DOT and Michigan DOT. And we expect more coming, because we see so much interest in the U.S. And then beyond the U.S., I talked about our partnership with Google, the stronger integration now between our Blyncsy solution together with Google Street View imagery and Vertex AI. This will help for sure in increasing our market potential and our win rate.

And then, when it comes to our telecom solutions, so OpenTower IQ, we saw solid growth in Q1 with many new towers to process that are definitely exceeding the number of towers that have been, let's say, rolling off after construction. So, all quite positive. This is a growth opportunity for the company going forward. At some point, we do hope to add, through acquisitions, some additional capabilities in order to accelerate our ARR in that space.

Eric B: The last question, I believe, comes from Jackson Bogli from William Blair.

Jackson Bogli: Great. Thanks. Hey, everyone. This is Jackson Bogli on for Dylan Becker. Maybe staying on the analytics side, the new capabilities with the Google Maps imagery, I know we talked about that a lot. Could you just talk through how the convergence of data analytics and imaging is kind of driving the next wave of innovation and client needs, and maybe how that ties into your prior push around advanced visualization? Thanks.

Nicholas C: So, by the way, the accounts that we serve, the engineering firms, see the operations phase of the infrastructure lifecycle as a very interesting growth opportunity, an opportunity to also have some recurring business. Now, when it comes to asset operations, the, let's say, standard way of understanding what's the current conditions of their assets is to send some people to do some inspections. That's highly inefficient. The more this can be automated, the better—for everyone involved.

When it comes to our road network solution, the way we are automating is by processing, for example, the Google Street View imagery to understand the full inventory of a road network, to understand where the traffic signs are, et cetera. We are able already to process a little bit their conditions. But then, we're comparing with some crowdsourced data, primarily coming from dash cam providers, actually, to understand the exact physical condition at this point in time. And then, we can compare with how it looked in the past.

And this is so much more efficient, if you can imagine, right, than sending off people. Because that data, when it comes to Google Street View, is readily available. And then, the data that is coming from dash cams is also something that can be immediately processed in order to understand what's going on with those assets.

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Greg B: Nicholas, the further inefficiency of sending someone out to inspect is, normally, while they can inspect, they can't update the as-operated record of what's there because that's in a GIS system that's in a different county. So, Cesium, to sort of connect that all together so that the process of continuous surveying can also provide the needed updates, and then the AI, as you say, can compare across time. So, you have this digital chronology in the digital twin.

But yes, it is the innovation in graphics and surveying that can lead to an organic and evergreen digital twin during operations and maintenance and kind of bypass traditional workflows. And when I talk about the rest of the world, where the imperative is get projects done and get maintenance done, you see traditional 2D surveying being done as a matter of record, if that, and the 3D geospatial approach being the primary way of both projects and asset performance going forward.

Eric B: Thanks, Jackson. That concludes our call today. We thank you for your interest and time in Bentley Systems. Please reach out to Investor Relations with further questions and follow up, and we look forward to updating you on our performance in coming quarters.

Nicholas C: Thank you.

Eric B: Thanks, everyone.

Greg B: Thank you.