Bentley Q2 2022 Earnings Call Transcript

Michael Fischette: Good morning, everyone. And thank you for joining us for Bentley Systems' Q2 22 operating results webcast. I'm Michael Fischette, Bentley's vice president, deputy general counsel. On the webcast today, we have Bentley Systems' Chief Executive Officer Greg Bentley, Chief Financial Officer Werner Andre, Chief Operating Officer Nicholas Cumins, and Chief Investment Officer David Hollister.

Before we begin, allow me to provide a disclaimer regarding forward-looking statements. This webcast, including the question-and-answer portion of the webcast, may include forward-looking statements related to the expected future results for our company and are, therefore, forward-looking statements. Our actual results may differ materially from our projections due to a number of risks and uncertainties. The risks and uncertainties that forward-looking statements are subject to are described in our operating results release and other SEC filings. Today's remarks will also include references to non-GAAP financial measures. Additional information, including reconciliation between non-GAAP financial information to the GAAP financial information, is provided in the press release and supplemental slide presentation. The webcast will be available for replay on the Bentley Systems' Investor Relations website at investors.bentley.com. After the presentation, we will conclude with Q&A. With that, let me introduce the CEO of Bentley Systems, Greg Bentley.

Greg Bentley: Good morning, as the case may be. Thanks to each for your interest, and our operating results presentation will follow the usual sequence, starting with tone of our business.

As we announced today, I'm pleased to say that 22Q2 proved to be a straightforward and quite satisfactory quarter, tracking toward our annual financial outlook, subject to ongoing FX volatility. And notwithstanding arbitrary FX impacts on reported revenues, our intrinsic natural hedge, improved by the inclusion of Seequent, substantially protects our operating margins.

22Q2 was characterized by substantial alleviation of the particular disruption, which did affect us in 22Q1—the regional geopolitical drama. Although 22Q2 brings about a conclusion to our business in Russia, this also concludes the uncertainty about prospects there.

And as to what I think was related counter-globalism, which manifested in attrition in China, this fortunately appears to have been a shock confined to 22Q1, although there should still be concern about bilateral trade and/or investment impediments from the Chinese and/or U.S. governments.

Although Northern Europe's new business declined during the quarter, new business in Central Europe and Southern Europe rebounded sequentially and year-over-year.

Drilling below these headlines, Chief Operating Officer Nicholas Cumins will follow me (as usual) to break down our business performance, where notable, by region and by product domain.

Chief Financial Officer Werner Andre will cover all of our metrics, but I here focus on what we (and, I think, most of you) regard as our key performance indicator. Net of absorbing the remaining 0.5% of ARR lost in 22Q2 due to our Russia exit, constant-currency ARR growth was 11.5%, plus 2.5% from Power Line Systems, year-over-year (platform acquisition Seequent was included a year ago).

I spoke last quarter about, and will be highlighting further today, the intrinsic economic resilience of infrastructure engineering generally, which our first half business performance reflects. But beyond that, these platform acquisitions of Seequent (for environmental opportunities) and of Power Line Systems (for grid opportunities) are flourishing at the convergence of the major global priorities for infrastructure investment, digital advancement, and climate and energy resilience, and are adding to our momentum for the balance of this year.

All considered, and despite prevailing macro-economic worries, our current view of 2022 business performance has not materially changed from our annual financial outlook, which, as I explained last quarter, we do not undertake to revise quarterly merely to incorporate inevitable FX fluctuations.

Sequentially, year-over-year ARR growth reflects the detrimental impacts of Russia, and of some denominator math that Werner will explain.

Net revenue retention for the trailing year, also in constant currency, hasn't yet been so impacted by Russia, and rebounded to 109% in 22Q2.

The evident lagging relationship between ARR and NRR will be disrupted by Russia, where any and all subscription revenue is now by definition nonrecurring—not in ARR—but the revenue impact is spread out.

ARR is otherwise higher than NRR by virtue of our new business in new logos, which, in 22Q2, continued to contribute 3% in ARR growth thanks largely to Virtuosity, which I describe as one of our incremental initiatives for the 2020s.

Virtuosity's encouraging ARR growth continued (seasonalized as here), with indeed the majority of its new business generated, like last quarter, from over 600 further new names, mainly in SMB.

The other major initiative for the 2020s, our User Success organization, has focused, to start with, on the enterprise majority of our business and is generating very worthwhile returns.

Here, we continue to expand, at a deliberate pace, the proportion of accounts under our E365 program. We started E365 upgrades generally with our largest accounts and are working our way down, with a greater number of accounts upgrading to E365 each quarter. The ARR growth, which occurs at the time of such upgrades (which are priced to generally cover our Enterprise Success services cost), is a small fraction of our overall E365 ARR growth.

Especially with the EPC firms within E365 finally expanding consumption in 2022, accretion in E365 accounts, fostered by our myriad of Enterprise Success services—delivered by engineering experts, for new going digital workflows—is being achieved at a gratifying multiple of the accretion rate in all other accounts. E365 accretion now makes up the substantial majority of BSY's ARR growth.

Now, we've consistently been reporting on tone of business by infrastructure sector. Since the pandemic began, we have focused on application usage comparisons to pre-2020, so that the signal of underlying directions wouldn't be swamped by the noise of pandemic volatility from quarter to quarter. But now that 2022 has been substantially post-pandemic, I think it's appropriate, in my color commentary, to henceforth resume distinguishing the tone of business across sectors in terms of our ongoing productivity in generating new business productivity within each, relative to their current proportion of our ARR, shown here.

At the same time, we've refined the sector definitions, primarily to usefully separate resources and industrial. Given now an industrial sector in its own right, discrete manufacturing plants have been newly reclassified there, from commercial/facilities. This sector, commercial/facilities, is the smallest for us, including in their current relative productivity of new business generation.

With some renewable energy and environmental accounts and products having been likewise reclassified to the newly distinct resource sector, public works and utilities new business continues its enduring relative resilience, for reasons that I emphasized last quarter.

With Seequent now consolidated in our year-over-year comparisons, its major focus on mining and the subsurface environment makes it worthwhile to distinguish between, respectively resources and industrial infrastructure sectors, with quite different tone-of-business dynamics for one versus the other, for instance at present.

Besides mining, resources includes oil and gas upstream activities, all offshore structures, pipelines, and renewables, including geothermal, as well as wind and solar. It is gratifying to show here that, with Seequent's inclusion and corresponding to consensus ES(D)G priorities, the resources sector is setting the pace in terms of our relative new business productivity.

The industrial infrastructure sector captures all process plants, including most oil and gas downstream assets. And here, we can report that last quarter's incipient upward inflection in new business continues, including for EPCs, which are benefitting from the Capex response to urgent new priorities for energy security and self-sufficiency in major economies.

To be clear, despite the right directional momentum, the industrial infrastructure sector's usage is still far from pre-2020 levels. But it is now the case that finally, the tone of business is positive, sequentially, across all infrastructure sectors. And in at least all sectors other than commercial/facilities, the protracted nature of project cycles confer relative confidence in continued resilience for the foreseeable future.

Speaking of business confidence, this survey last quarter by Dodge (Engineering News-Record) showed civil engineering firms reporting unprecedented—so far as I know—levels of backlog.

But this quarter's update—now civil engineering firms consider their current backlog to be 135% of what they consider ideal—reinforces our observations at BSY. Engineering firms are certainly of necessity placing greater priority on going digital in the face of engineering hiring constraints, compounded by retirements that are expected, if anything, to intensify.

However, we are glad there's a source for more insights into the influence, on infrastructure engineering decision makers, of potentially threatening macro conditions that seem to hover in prospect now.

Last month's report from the quarterly survey by the American Council of Engineering Companies, which you can access directly at the link here—and though not specific to only its civil firm members, and while also U.S.-centric—provides data that is quite on point for that purpose.

The survey's so-entitled tabulation of "Current Economic Survey vs. Last Quarter" indeed shows that, perhaps as in the rest of the world, the engineering firms' confidence about the U.S. economy—which wasn't particularly high to start with—has declined, compared to the previous two quarters.

But their enthusiasm about their engineering and design services industry, which was and is at levels of sentiment comparatively much higher (and, I suspect, higher than almost ever), has been encouragingly sustained over that same period.

And in responding about their own firms, they express even greater confidence.

Now, in full disclosure, when asked about their sentiment as to projected conditions a year from now, their enthusiasm is more subdued—but still strong. Note that the survey's scale provides for negative numbers for bearish sentiment, as seen here for the overall economy, but not seen here for their industry, let alone for the respondents' own firms.

I think it is especially meaningful that the great majority of respondents—those to the right of the vertical line—expect their (presumably already outsized) backlogs to increase measurably over the same coming year.

Moreover—here providing a fully informed response to a question we are often asked—during this same coming year in the U.S., the great majority of firms expect a relatively imminent increase in projects related to the Infrastructure Investment and Jobs Act.

And while the survey shows that engineering firms are more concerned about inflation than in previous quarters, the larger firms have almost all protected themselves with escalation clauses in their long-term contracts, and this is especially prevalent in civil infrastructure engineering contracting.

For, I suppose, all these reasons, bringing this together across infrastructure sectors, the most positive sentiment seems to generally correspond to BSY's civil engineering firm footprint—in resources, in public works and utilities, and in industrial, with commercial/facilities, as expected, reflecting less enthusiastic sentiment.

Indeed, in presenting and assessing BSY's tone of business, it is certainly relevant to consider the sentiment of these engineering firms—in this case, in the U.S. In aggregate, their usage of our software corresponds rather closely to this familiar breakdown of our ARR by end-market infrastructure sector.

Literally most infrastructure engineering work is done by the owner-operators' supply chains, that is these contracting firms who thus together account for the slight majority of our ARR.

Recall that as of the beginning of this year, just the Engineering News-Record Top Design Firms contributed this substantial portion of our overall run rate and historical growth.

It would be interesting to know whether, as investors and analysts, you may be familiar with these top design firms globally that are also publicly traded, and which together constitute most of our largest accounts. Perhaps surprisingly, until now, we have not had a senior leader focused on engineering firms—to make the case for BSY's affinity with them and vice versa, given our comprehensive portfolio and our ability and intention to fully address their challenges and opportunities.

But we have had the perfect candidate. Claire Rutkowski joined BSY as our chief information officer six-plus years ago, having spent her career previously rising to the CIO role at a top engineering firm. Since then, she has incrementally served beyond her day job as our external CIO champion—a liaison to her former peers as engineering firm CIOs, an important constituency of decision makers for us. I'm pleased to announce that Claire will now make this her full-time mission, expanding our industry solutions group—which, until now, has been dedicated only to owner-operators in our end markets—to lead our offerings and advocacy for engineering firms globally.

I have asked Claire to supplement the engineering firm facts and figures we just reviewed with her informed firsthand assessment of their tone of business. Nicholas will then follow with his operations review of notable regions and products in the quarter. Claire.

Claire Rutkowski: Thanks, Greg.

It's an exciting time to be involved in infrastructure and an even better time to be engaged with our engineering accounts. I started out in technology and quickly migrated to engineering. Over time, I rose to be the CIO at what is now one of the top engineering firms in the world. I'm passionate about helping the industry as a whole advance, which is one of the reasons why I'm so thrilled to be Bentley's CIO champion and engineering advocate. There are so many ways we can improve and move forward, and now is the time.

Engineering and construction firms are risk averse. They need to be. Quality is of the utmost concern when designing an asset, and safety is paramount when constructing or operating that asset. If something goes wrong, people can get hurt. Going digital may once have been seen as challenging the priorities of quality and safety. However, technology has advanced to the point that engineering firms are now prioritizing going digital to enhance quality and safety, along with environmental resilience and sustainability. After all, why have people hanging from ropes to inspect bridges and dams when one can use a drone?

In parallel, the AEC industry has crossed an important tipping point, which will enable them to advance their going digital ambitions even faster. Because most firms traditionally billed through time and materials or cost-plus mechanisms, adding efficiency through automation or component-based design could arguably reduce revenue. Not ideal. However, recent industry surveys show firms taking advantage of lump-sum and fixed-fee opportunities, which provide direct incentives to accelerate going digital.

And there's more good news. As the data Greg presented shows, backlog is up. Depending on the survey being used, it's anywhere from 10 to 15 months on average. While firms have traditionally grown through recruiting more engineers, that's now at diminishing returns, so CEOs are necessarily putting a high priority on going digital to take advantage of increasing their work without increasing their workforce.

The pandemic forced engineering firms to accelerate going digital. They had no choice but to facilitate virtualizing their talent, often through our ProjectWise offerings. This proved to all firms that they can compete for infrastructure engineering projects anywhere in the world, and recruit everywhere.

Not only do engineering firms want to use the most efficient and effective ways to design, procure, and construct, but they also want to transform their traditional offerings. Why simply deliver a design for an asset when you can deliver a digital twin of it as well, one that is full of all the engineering information needed to effectively construct and operate that asset? And why not extend that even further by offering to manage the operation and maintenance of the digital twin, ensuring it remains evergreen?

Lots of opportunities are opening up for our engineering accounts. Firms are competing to create new offerings, which include full asset lifecycle management, providing consulting services, which deliver data insights and analytics, corrective actions and recommendations, and so on. Engineering is progressively shifting from a design-driven focus to a data-driven focus, and the possibilities are endless.

62% of the 292 entries in our *Going Digital* Awards last year, and 74% of the winners, were submitted by engineering firms. We have received even more, and more amazing, entries for the *Year in Infrastructure* 2022. We will be inviting you to join in person in London on November 14 and 15. I look forward to meeting you there!

I'd now like to turn this over to Nicholas Cumins, our chief operating officer, to discuss his perspectives on the quarter.

Nicholas Cumins: Thank you, Claire.

Let me provide additional color commentary from an operational perspective, starting with regions.

In every region, we are as busy as ever. Macro conditions for infrastructure engineering are favorable, and there are good tailwinds. India, Southeast Asia, and Middle East stand out. India in particular, continues to accelerate. We have strong momentum with engineering and construction firms, and industrial and resources are up year-over-year.

In our Q1 call, we noted some difficult market conditions in Europe, and I am pleased to report that new business growth picked up the pace in Southern and Central Europe, specifically, with Northern Europe still somewhat lagging.

As Greg mentioned, in Q2, we made the decision to exit Russia. I would like to acknowledge the contribution of our former colleagues who had developed a thriving business there. Of course, following that decision, we moved to wind down business in the region.

All other regions performed in line with expectations.

Pipelines are strong across the business and continue to grow. Construction firms have healthy backlogs, pressure is still on projects to deliver, and firms continue to invest in technology to address efficiency opportunities. Money is flowing, and firms are primed for software to add more efficiency, improve their workflows, enabling them to do more with less.

Now, I'd like to share some color regarding products, highlight the strong performers.

As you probably know, most digital twins start with capturing the as-is condition of the project site via photogrammetry or LiDAR, taken with drones or UAVs. We have one of the industry's leading products that accomplishes this, called ContextCapture. It has the potential to transform inspections and safety reviews, beyond traditional methods, to establish virtual or even autonomous inspections, gather much more detailed information, which can be processed using machine learning techniques, and present data in an intuitive manner.

A great example of this in action is the Diablo Dam project undertaken by HDR for Seattle City Light to gain a more thorough understanding of the aging dam's current conditions.

We are seeing more and more use of ContextCapture by firms in public works and utilities, and more and more interest from software and technology providers to incorporate our capabilities into their offerings.

Bringing the focus back to Q2, AutoPIPE and SACS were also strong performers. The drivers are the recovery in oil and gas and the prioritization of energy security, particularly in Europe. Increased funding is enabling owner-operators to address some of their maintenance backlog, which they had previously deferred, and we are seeing some engineering services firms win some big contracts for both brownfield and greenfield oil and gas projects.

The second part of the story is about renewables. We saw increased consumption relating to offshore wind power, notably in China. And we are also seeing a renewed interest in extending the life of nuclear infrastructure. We have two of only a few products worldwide that are certified for nuclear, that are audited in a special program and adhere to international standards.

Another strong performer in Q2 was PlantSight, our digital twin solution for process industries, developed and co-offered with Siemens. Advances in the capabilities of PlantSight are driving adoption and increased consumption, particularly in oil and gas.

Now, it is possible to visualize and group a significantly large number of models, combining the subsurface, the subsea, and the top-side, so that operators can view multiple assets, indeed the entirety of an oil field, in a single view.

The final thing I want to highlight today is the standardization by the Texas Department of Transportation on our bridge design product OpenBridge across its extensive supply chain.

Texas DOT manages the largest highway system in the U.S., with more than 80,000 miles of highway—or more than three times the circumference of the Earth. Rather than only using traditional 2D plan sets in construction, Texas DOT is moving towards using 3D models created through OpenBridge. Bentley is proud to partner with Texas DOT to advance infrastructure for the state of Texas.

I've highlighted a few products, but I believe strongly that the formula for growth is innovation times adoption. And what is driving adoption—and, therefore, growth—is our commitment to our users to deliver successful outcomes, and I would like to recognize the essential role that our User Success organization is playing in our growth.

Back to you, Greg.

Greg B: Thank you, Nicholas.

Our particular corporate developments for 22Q2 will all be covered by Chief Investment Officer David Hollister. Transactions he will report on include a divestment that has taken the form of a promising minority investment. Generally, as the emerging digital twin ecosystem gradually comes into closer focus, we get involved in related endeavors that depend on our applications. A case in point is our data-vending business Streetlytics. It was spawned by our CUBE mobility modeling logic, which was then acquired with CUBE by BSY.

I regard data-vending businesses as being too far afield from our mainstream software and cloud services comfort zone—but we don't object to having an investment stake, particularly when, as in this case, our infrastructure modeling and simulation applications create demand for such data.

David, please bring us up to date across these various investment aspects, including some smallish recent programmatic acquisitions, and then please introduce Chief Financial Officer Werner Andre. Thanks.

David Hollister: Thank you, Greg. I'll provide a little more detail on the Streetlytics transaction first, and then give a brief update on other BSY Investments activities, including a couple of recent programmatic acquisitions.

As for our transaction with Teralytics, as Greg mentioned, late last month, we closed on the merger of our Streetlytics mobility data business with Teralytics. We originally acquired Streetlytics as part of our acquisition of Citilabs in 2019, which primarily brought us the CUBE open modeling and simulation solution used to analyze the effects of new projects and policies on city transportation networks. Today, our solutions for mobility modeling and simulation include not just CUBE, but also our INRO software solutions for advanced traffic and vehicle simulation, as well as LEGION for passenger and pedestrian simulation, and OpenRoads for comprehensive roadway and civil design. Together, these solutions enable modeling, simulation, and delivery of comprehensive mobility digital twins of multimodal transportation systems at urban, metropolitan, regional, and national scales. Obviously, modeling and simulation requires a real-time data set, and the more robust that data set, the more credible and useful are the simulations. As further evidence of the importance of robust data needed to design and optimize tomorrow's digital cities, I refer you to the Jacobs acquisition earlier this year of StreetLight Data. A key reason for our Streetlytics, and its merger with Teralytics, is enhanced data and improved modeling logic for CUBE, which is applied to complete and improve the quality of the street-segment traffic data.

From a financial perspective, we believe the transaction unlocks unrealized Streetlytics value in the form of our ongoing equity interest in Teralytics and will be net revenue additive to Bentley Systems via the more robust data to be sourced from Teralytics and included and monetized with the Bentley Systems modeling and simulation solutions I just mentioned.

You'll recall our iTwin Ventures corporate venture capital fund was formed to stimulate and encourage entrepreneurialism in developing digital twin applications, including those leveraging our iTwin platform.

Since I last presented this slide, we've added three new investments to our portfolio of growth-stage businesses, and the opportunity pipeline of early-stage companies working towards infrastructure digital twins continues to grow.

As for the more mature operating businesses, our grid opportunities continue to pick up momentum and, as Greg mentioned, Power Line Systems and SPIDA continue to perform well and exceed our initial expectations, for both growth in revenue and margin performance.

Last week, we announced that Cohesive had acquired MaximoCon, which is based in Brazil, and adds talent to our team, improves service delivery cost efficiency, and establishes an entry point for future Cohesive growth in South America. As we've shared, Cohesive is a digital integrator business, providing digital strategy advisory services, integration services, systems deployment services, and operating support to help our clients achieve their business outcomes, significantly enabled by emerging digital twin technologies. Cohesive is now the culmination, over the last two years, of six acquisitions, together with Bentley's existing professional services businesses supporting infrastructure owners. This unprecedented integration has been challenging, including talent attrition and other distractions, to maintaining a consistent pipeline and efficient service delivery. All are now coming together, including a well-defined Cohesive branding, and I encourage you to learn more about what we do at Cohesive.

Just about a year ago, we completed the acquisitions of sensemetrics and Vista Data Vision to establish a foothold with Infrastructure IoT. We've now just announced that we also closed on the acquisition of Australia-based eagle.io, in addition to extending our IoT reach to ANZ. It's additive and very well complements our existing Infrastructure IoT technology stack. eagle.io also brings strong talent and expertise to our team, which we absolutely need and want for our Infrastructure IoT business growing at about a 30% clip. eagle.io is also a particularly relevant and prominent solution for environmental compliance, further bolstering our ES(D)G priorities.

As I explained during an operating results call earlier this year, we still operate our IoT business as part of our BSY Investments Acceleration portfolio. Our reasons for doing this are to accelerate and indoctrinate both the technology and the commercials into our business on a number of dimensions.

First, you heard Greg and Claire speak about engineering firms and their importance as we grow our product portfolio. A priority for us was to introduce Infrastructure IoT offerings to them, the engineering firms, seeking to deliver the value of Infrastructure IoT insights for the benefit of their own clients. We've done that, including institutionalizing it into our business and commercial models. As I mentioned, it's growing at a respectable pace.

Next, we'll establish a structured IoT platform layer to accommodate this operating technology within digital twins. We're a platform company, and the goal is to embed this structure and capability, thoughtfully, as part of the iTwin platform. We call this the Sensor Data Service to the iTwin platform, and development is well underway.

Further Infrastructure IoT offerings we are advancing as we incubate this within our Acceleration team are the development of plug-and-play, asset-specific monitoring solutions that are fit for purpose for owners of specific asset types. Such applications include bridges, dams, mines, and grids.

As we've explained, a comprehensive infrastructure digital twin will bring together the ET, the IT and, critically, the OT, with the OT arriving via increasingly pervasive Infrastructure IoT technologies. Our IoT solutions are being positioned as the industry standard for Infrastructure IoT and the value it brings to digital twins.

On a final note, last quarter, we highlighted a new ProjectWise focused joint venture in China. We continue to work on necessary product modifications and go-to-market planning. It's unlikely this venture generates material revenue in 2022. More ventures are being considered and negotiated, and we hope to have further announcements on that later this year.

And now over to Werner for more details on our operating results.

Werner Andre: Thank you, David.

Our second quarter was strong, and we are very pleased with the performance and resilience of our business across products and regions.

Total revenues for the second quarter were $268 million and grew 20% over the prior year, or 26% on a constant currency basis. For the first half of 2022, total revenues grew 22%, or 27% on a constant currency basis. On a constant currency basis, our Q2 revenues grew 29% in Americas, 21% in EMEA, and 28% in APAC.

Most of that growth comes from subscriptions, representing 87% of our revenues, and growing by approximately 31% on a constant currency basis. This growth is supported by our business performance across products and regions, and our platform acquisitions of Seequent and Power Line Systems, including their meaningful post-acquisition growth. The growth of our E365 program, and consumption growth within our E365 accounts, as well as the continued growth momentum of our Virtuosity subscriptions, are solid contributors to our business performance.

The recent strengthening of the U.S. dollar resulted in significant year-over-year currency headwinds, reducing GAAP revenues at actual currencies. Relative to the foreign exchange rates assumed in our 2022 annual financial outlook, FX headwinds dragged down our GAAP revenues for the quarter by approximately $7 million. To further quantify the impact of the U.S. dollar strengthening on our annual financial outlook, if current exchange rates would prevail throughout the remainder of the year, our full year GAAP revenues would be negatively impacted by approximately $25 million, relative to the revenues based on the exchange rates in effect when we determined our full year 2022 outlook at the beginning of this year.

Our business is otherwise robust, even net of fully exiting Russia. The FX impact on revenues is significantly mitigated by our natural hedge, and, hence, the impact to our profitability is minimized. I'll talk about that in a moment.

Moving on to recurring revenue performance. Our last 12 months' recurring revenues increased by 25% and are representing 88% of total revenues. Our platform acquisitions of Seequent and Power Line Systems, and their post-acquisition growth, contributed about 16 percentage points of this improvement.

Our account retention rate remains at 98%, and our constant currency recurring revenue net retention rate, which is a key measure of our success in growing recurring revenues within our existing accounts, rebounded to 109%, as we expected in line with higher ARR growth rates over the past four quarters, and our accounts being as busy as ever.

Our constant currency ARR growth rate is 14% year-over-year, which is the combination of 11.5% from business performance and 2.5% from the onboarding of PLS in Q1. For the first time, the ARR growth from the onboarding of Seequent in June 2021 is not in the year-over-year growth, but rather now in the year-over-year comparative basis. This higher denominator now reduces our indicated ARR growth rate from business performance by approximately 1%, when compared to Q1.

Our ARR growth rate has also been impacted by about 1%, as a result of exiting Russia. As we announced in our Q1 remarks, we wrote down half of our ARR in Russia during Q1 based on an expected reduction in business recurrence at that time, and we have now written down the second half of this 1% in Q2.

Our GAAP operating income was $55.7 million for 22Q2, up $22.5 million from last year. Our GAAP results for the quarter and year-to-date reflect charges for acquisition-related costs relating to PLS in 2022 and Seequent in 2021, incremental amortization from purchased intangibles, and incremental non-cash stock-based compensation, partly offset by market-to-market valuation gains from the revaluation of our deferred compensation plan liabilities.

On the right, our adjusted EBITDA metric normalizes for such accounting. Our second quarter adjusted EBITDA grew by 25%, and our year-to-date adjusted EBITDA of $184 million is an improvement of 21%. Our year-to-date adjusted EBITDA margin is 33.9%, and we are fully on track to deliver on our 33% adjusted EBITDA margin target for 2022.

And while our adjusted EBITDA in absolute terms is, of course, impacted by currency movements, the FX impact on our margin target is significantly mitigated given our natural hedge, which has now become more effective with the inclusion of New Zealand-based Seequent, whose invoices are primarily denominated in U.S. dollars.

I'd also like to comment on our income tax rate, which appears as negative 9% for the second quarter. As in the first quarter, our tax rate benefited from significant discrete windfall tax benefits primarily associated with the timing of distribution from our deferred compensation plan. For the full year, we continue to expect an income tax rate closer to 15%.

Moving on to liquidity. Our first half 2022 GAAP operating cash flow of $169 million remains strong, representing a cash conversion ratio from adjusted EBITDA of 92%, even after payments of acquisition-related expenses of $13 million. Our last-twelve-months operating cash flow of $308 million represents a cash conversion ratio from last-twelve-months adjusted EBITDA of 86%, after payments of acquisition-related expenses of $18 million.

During the first half of 2022, we spent approximately $41 million on de-facto share repurchases associated with stock-based compensation and to offset the dilution from such compensation. As we discussed in our Q1 remarks, we significantly reduced such de-facto share repurchases starting in the second quarter, and we since announced a stock repurchase program, which enables us to consider market conditions in flexibly re-prioritizing the application of our cash generation, including the cash savings from the switch to gross equity distributions, as between programmatic acquisitions, de-levering, and stock repurchases to offset ongoing dilution from equity compensation. During Q2, we repurchased $13 million of our stock under this program.

With regards to capital allocation, our net debt senior leverage was 1.4 times, as of the end of June, down from the 1.6 times, as of the end of December 2021, which I presented during our year-end 2021 operating results call on a pro-forma basis to reflect the financing of our acquisition of PLS.

When including our 2026 and 2027 convertible notes as debt, our net debt leverage was 4.8 times, as of the end of June.

As I remarked during the last quarter, while interest rates continue to rise, approximately 75% of our debt is protected from changes in interest rates through either highly favorable coupon interest of our convertible notes or our $200 million interest rate swap.

May I conclude by recalling that Greg started out by referring to 22Q2 as straightforward. Indeed, we see all of our end-market sectors, for the first time in the 2020s, being characterized by variously positive tones of new business. And similarly, across global regions (Russia having effectively disappeared by now), our quota carriers everywhere report infrastructure engineering activity and prospects at relatively full capacity.

At the same time, our own business performance execution is demonstrating the return on our investments in E365 success, SMB penetration, and in NRR and ARR growth inflection.

Our straightforward combination of resilience and execution makes us confident, even in this year of seemingly increasing macro uncertainty at large, in continuing to reliably compound our predicted and predictable operating results.

Thank you, and now to your questions.

Ankit H: Friendly reminder, please unmute your microphone and turn on your camera when called on and limit yourself to one question and one follow up in the interest of time. We'll start with Matt Hedberg at RBC. Matt?

Matt Hedberg: Hey, guys. Can you hear me?

Greg B: Yes.

Matt H: Great. Thank you for the time. Super informative. Greg, you mentioned something we talked about a couple of quarters ago, and it seems like it sort of died down a little bit, but you mentioned the infrastructure and job acts here in the U.S. I'm curious, could you double click on that? Because I think a lot of investors are curious how that plays out. I know it takes a long time for funding to unfold, but just a little bit more color on maybe some of the green shoots that you're seeing from that.

Greg B: Well, it is, as anticipated a couple of quarters ago now, the money is flowing, the appropriations are done. Each month, we read of another named program from one or another of the federal departments that is starting to entertain grant applications and so forth. So, our impression has been that, as expected, it's ramping up.

So, I was very glad to see the ratification of that in the survey reported from ACEC, which showed the degree to which the engineering firms are seeing, those are the jobs as far as the design and start of the projects, and then there will be construction projects and jobs as well.

But we're maybe a quarter or a third of the way into the ramp up of the incremental spending now. Again, that's most true happening first in highways. And then, some of the other newer programs in broadband, in water, and so forth are somewhat behind those, but everyone is confident about their progress, also.

Matt H: That's great. That's super good to hear. I know we've all been sort of anticipating this. And then, for Werner, sort of the balanced growth in profitability is impressive. Can you give us a little bit of insight in how you're thinking about hiring for the second half of this year? I think you said Q2 is sort of straightforward. How do you think about that balance of growth and investment into what still looks like an uncertain second half of the calendar year?

Werner A: Yeah, maybe first. So, our adjusted EBITDA margin is exactly where we were expecting it to be and hoped it would be to hit the target of 33%. We have approximately 400 open positions, which is a reflection of attrition that we had, attrition that we project and growing the company. The company is growing right across the board.

We reset every quarter where we look at the revenue run rates and the cost run rates, and then open up the hiring relative to the run rate. So, that combination makes us very comfortable to target towards the 33%, you know.

Greg B: I might add—

Matt H: Got it.

Greg B: I might add that attrition for us is real, but relatively favorable to peers and our colleague success initiatives are going to differentiate us, we hope, in retention going forward. But our business is just not very volatile in the scheme of things, either at the top line or on the bottom line, as you see. We're mainly annual subscriptions, we—our cost, our people.

With the open positions, we just won't compromise our standards, and it's taking longer to find the right quality of people. But we haven't made big changes to our hiring plans, and we don't anticipate needing to do less hiring than that. Nicholas, do you want to add anything to that?

Nicholas C: Hiring is a priority to support the growth of the company in the long term. So, there's no slowing down on our side in terms of hiring, whether it's in go-to markets for the success organization, for product organization. Full steam ahead.

Matt H: Great. Thanks. Congrats on the results, guys.

Ankit H: Thanks. Next, we'll go to Joe Vruwink at Baird. Joe?

Joe Vruwink: Great. Hi, everyone. I—just to reflect on some of the things you've brought up on the call, so imminent increase in projects with IIJA, positive tone of business across all sectors, new business improvement and GOs that were previously seeing some pressure, and a pretty good pipeline.

How would you expect all of this to manifest in core ARR growth from this point onward? And do you think that an inflection towards the upper end of the 11.5 to 13.5 range, is that possible when you think about some of these things and new ARR to be generated in the second half?

Greg B: Well, Joe, thanks for the question. We say we update our annual financial outlook only when there's a material change, and we've decided it doesn't rise to that at the moment. What's to be remembered is we're a percent behind by virtue of Russia. If not for the Russia exit, our ARR growth year-over-year in constant currency would have been 12.5% in the first quarter and 12.5% in the second quarter. But we've lost that percent. Then, we would have to make it up.

And then, we have the uncertainty about China. You might say, well, wouldn't you be able to narrow your range, as half of the year is behind you, in ARR growth? And China is still such a question mark. As we mentioned, the counter globalism didn't recur in the second quarter, thank goodness, and our teams there are enthusiastic, especially about new infrastructure programs in China that are meant to be quickly delivered and making a difference this year.

But on the other hand, when you consider the news of the past week and the government tensions, it doesn't seem like we could count on China one way or the other. So, remember, that's 5% of our business. So, that's a swing that we think remains in the range of ARR growth for the balance of the year. But it would be possible to make it up, but it would also be possible to encounter, for instance, a recurrence of problems in China. So, we're confident that the range is the right range at this point.

Joe V: OK.

Greg B: Nicholas, do you want to add to that?

Nicholas C: Just on China, I think, Greg, you explained very well. There's a lot of unknowns, of course. On the other hand, if you follow the news, President Xi Jinping has asked for an all-out effort to invest in infrastructure. So, obviously, the opportunity is as big as ever in China for infrastructure, for infrastructure engineering.

Now, we are leveling the playing field, as we announced last quarter, with our JV strategy and the first JV that we've created. So, if some of the companies over there, some of the organizations over there want to procure Chinese software, we can do that. But we're also taking a lot of steps to reinvigorate our core business in China.

We are creating a user success organization over there. We're going to launch E365 in China later this year. We're making a lot of the capabilities of ProjectWise, our core product in China, that were only available on the cloud, we're making them available on premises so that companies, organizations over there who cannot use cloud solutions will be able to benefit from that innovation.

So, we think this is really going to help on the growth of China, but of course, lots of uncertainties on the overall relationships between China and the rest of the world.

Greg B: So, Joe, that's a lot of emphasis on China, but the point is the rest of the world and the rest of the products and the sectors are pretty predictably can be counted on now for the year. So, the risk of Russia is behind us. It wasn't a good outcome, but it's an outcome. We have to make it up, and China is the question mark.

Joe V: OK. OK. Understood. And then, the second question—I wanted to focus a bit on the metals and mining exposure. I'm curious if you can just give maybe an updated rate of growth for Seequent?

And then, when you think about some of the activity that's happening around geological modeling now with the Micromine ending up at AspenTech—of course, you've operated Seequent for a year—does that tell you anything about, maybe, customer readiness to invest in a bigger way around these solutions, and so the fact that you and peers are now gravitating over is kind of a reflection on a better market opportunity?

Greg B: Well, it is the case that Aspen's acquisition of Micromine is kind of a change in their direction—now under Emerson, the majority ownership—but does reflect secular opportunities in mining. Mining can be done differently and better, and it starts with the subsurface modeling that Seequent helped pioneered.

As to growth rates, each and both of Seequent and Power Line Systems are growing twice as fast as Bentley Systems, and that continues to be true as we grow faster, if you see what I mean. So, we're very happy with the opportunities in what I call environmental digital twins, including mining and in grid digital twins. Those are resounding opportunities for the foreseeable future, I think.

Nicholas, what would you like to add about Seequent?

Nicholas C: So, Seequent did very good again this quarter in mining for sure. I mean, it continues to benefit from very large investments in mining to support the world's energy transition. Not just in mining—it did pretty good in civil as well, according to plan.

Now, if we look at mining, some of the acquisitions that Seequent made—and we announced exactly a year ago, actually—have done extremely well—double- to triple-digit growth, which is a sign of a market which keeps pushing the envelope in terms of digital transformation. It did very well in Africa. We had some existing large users in Africa who doubled down, so to speak, in their investment in digital for mining.

Now, with respect to Micromine, this was not a surprise because we know that the founders had sold to a PE firm, so we knew that an acquisition was going to come. The overlap with the Seequent portfolio is in some area—I mean Micromine is actually more downstream. It's more on mining operations, right? So, we will take it more as a confirmation point that, indeed, mining is a hot business, and mining software has a lot of potential.

But I just want to reemphasize the fact that with Seequent, we do have, I will say, the largest and the deepest portfolio of products available for geoprofessional. It's really second to none. So, our breadth and depth of capabilities remains leading.

Joe V: All right. Thank you very much.

Ankit H: Next, we'll go to Matthew Broome at Mizuho. Matthew?

Matthew Broome: Hi, thank you. So, it sounds like Virtuosity has another good quarter, helping to drive new business growth. And I guess it's been just over two years now since you launched Virtuosity. What are the main things, I guess, that you've learned since launching that business and your broader zero-touch strategy, in terms of approaching the SMB opportunity in particular? And then, how material do you expect zero-touch sales to become over the next five years or so versus where they are today?

Greg B: Well, it'll take the five years to get to the zero touch. It's a strategy not yet quite the norm. But it is our major investment initiative, I would say, in terms of people and the investment we're applying there. What Virtuosity has done for us is validated the potential we can reach, with direct engagement, these practitioners, engineering practitioners, who are mainly in SMB firms—that can really be a way to beat the competition. That's coming at it from a channel approach. And here again, I'll ask if you want to add anything to that, Nicholas?

Nicholas C: Yeah, what Virtuosity allowed us to prove is two things. One is the real potential for, indeed, a zero-touch engagement with our accounts. For sure, it started in SMB. But we see really no reason why, at some point, it shouldn't be available as well for some of our enterprise accounts who are not yet on E365, for example.

But the other thing that it helps us prove is the strength of an inside sales team. So, we've done it with the core business of Bentley, the core portfolio. Actually, one of the things that stood out also for Seequent in the last quarter was the inside sales team. So, it was a clear standout in terms of revenue acceleration. And so, those are two muscles that we're building up now as an organization—zero touch and then low touch, if you want, with inside sales.

Greg B: It just shows a differentiated strategy. The market is ready for a differentiated strategy there, we think. And our products are suitable to extend our balance, SMB becoming a comparable portion of our business to the enterprise business over time—as you say, within five years.

Matthew B: Right. OK. Thanks for the detail there. And then, secondly, I'm just curious, in terms of your current M&A focus, are you open to additional platform acquisitions in the near term? And is there any area of your business you're looking to strengthen using M&A?

Greg B: Well, the platform acquisitions, of course, don't depend on us but availability. And I haven't sounded very optimistic about that. David Hollister, could you help answer?

David H: Yeah. Sure, sure. Platform acquisitions—those obviously that we have completed are doing quite well. But the prospects for more of those are not great. But we do continue to have appetite at a programmatic level. Our strategy hasn't changed.

It's certainly obvious that the velocity of deals we're closing this year is off the pace of what we were closing last year. We're still seeing opportunities but not as many.

I would suggest that we're not seeing as many PE-sponsored opportunities in terms of volume, which is not surprising. They probably are reverting to a playbook of prior years where they had to be more patient and just hold acquisition—or hold portfolio companies and grow them until they're more ripe and market conditions are more receptive.

Those PE-sponsored deals that we are seeing get done are closing at valuations that we're not willing to venture into. We haven't seen the market correction in those M&A multiples that we're seeing in the public multiples, and we're just going to be disciplined about valuation. So, we're looking hard, we're working hard, but there are deals that are just at a price we're not willing to go to.

We did close this year on a few—ADINA last quarter, as you know; PLS to start the year—a couple of small deals—MaximoCon, which is—there was a theme here that we're growing, and we're recruiting, and we want talent. This was effectively a talent acquisition, MaximoCon. And then, just today we're announcing the acquisition of eagle.io, which is additive to our Infrastructure IoT tech stack and talent team.

Both of those together—the MaximoCon and the eagle.io—are smallish, as Greg described. But together, they don't get to eight figures in terms of acquisition price. But the pipeline is robust. We continue to work our strategy, and our appetite hasn't changed. So, we'll get back on pace with Velocity soon enough.

Matthew B: All right. Perfect. Thanks very much.

Ankit H: Next, we'll go to Devin at KeyBanc. Devin.

Devin Au: Great. Hi, everyone. Sorry, Jason couldn't hop on today. I just have maybe just one question from my side. Encouraged to hear that macro in Asia and some regions in Europe are improving in the past quarter. I just want to ask about the linearity of improvement in those regions. Did the improvement sort of happen more so in the beginning of the quarter, or is it towards the end of the quarter? Any commentary to provide on that?

Greg B: Well, I'm sure Asia has been strong throughout the quarter, but Europe we've been monitoring closely. And it hasn't been the same story across Europe. And now, when we report on new business, of course, new business for us is ARR growth. When there is new business, there is ARR growth.

We mentioned, for instance, Northern Europe. New business declined during the quarter, but there still was new business. It just slowed down. But maybe, Nicholas, can you help with the notion of where in the quarter? And I think our quota carriers all feel that there's excellent pipeline and prospects at the moment, but perhaps you can elaborate on that.

Nicholas C: Yeah, pipelines are very strong and growing. So, Europe—we saw a growth last quarter, but the growth has accelerated in Northern—sorry, in Southern Europe and in Central Europe.

In Southeast Asia and India, if you recall the previous quarters, we already called them out. So, the growth keeps accelerating over there, and it's following the same pattern. It's very much related to industrial and resources. So, in that sense, it is predictable.

Is the linearity exactly where we would like to be? It's still not on the enterprise side of the house. So, we're making sure that in our commercial offerings, there is not any counter incentive for accounts to wait as long as possible at the end of quarter in order for us to close a deal. So, we improve in linearity, but it's not exactly where I would like it to be.

In SMB, that's quite different. This is more of a volume sale. So, this is actually really throughout the quarter and way more linear.

Greg B: The other thing I'd like to emphasize about deals is, I mentioned, really, for the first time, that the bulk of our ARR growth is in our E365 accounts. And that is consumption growth, which does occur linearly during the quarter.

So, sort of underneath—we talk about deals, and our quota carriers still chase deals, and so forth—but the underlying volume base daily consumption in E365, which adds up to most of it now and of the accretion we get. And most of our ARR growth is that accretion that has become linear, if you see what I mean.

Devin Au: Great, thanks for the detail.

Ankit H: Thanks, Devin. Next, we'll go to Kristen Owen from Oppenheimer. Kristen?

Kristen Owen: Great. Good morning. Thank you for taking the question. I wanted to ask, I know we've talked a lot about the IIJA. But, more recently, the Inflation Reduction Act—$60 billion for renewable infrastructure. You've got a limited time window for that extended investment tax credit.

So, the question is really about market readiness to capture expanded wallet share, whether that's through PLS on the grid side or even Seequent to support the EV incentives. If you have the market readiness or the capacity to capture greater market share than you otherwise would have, given how early you are in the integration process of those acquisitions.

Greg B: Well, the integration process of the acquisitions wouldn't hold that up. And renewables are putting a real smile on our face across the resources sector that we've broken out now and shown that that's growing faster than anything else. But, embarrassingly, I haven't sufficiently studied the Inflation Act to know how much of it can be applied to Capex, if you see what I mean.

But a enabler, especially for grid mobility, and renewables depends on grid capacity. Is improvement in the permitting that will allow, especially in the U.S., new transmission capacity to be added faster? And I hope that legislation continues to address that bottleneck. It's a bottleneck around the world. But we're seeing excellent progress with Power Line Systems, but it's a fraction of what it can be, and it needs to be, to hook up the renewal capacity that's being added, or has already been added in some parts of the world.

Kristen O: Great. And wanted to ask about Claire's appointment. If I recall correctly, a significant portion of your TAM sits within your existing customer base. When I think about her realignment to really focus on that part of the business, how are you thinking about your ability to accelerate wallet share gain with these leading engineering firms?

Greg B: Well, we look at each of the top firms. And we look at their spend with us, their run rate with us, per million dollars of their design revenues, which they report to the Engineering News-Record. And that's kind of a report card on how important we are to them and how aggressive they are in going digital.

And most of them are on E365 or are destined to be on E365 and have the benefit of our success team and new digital success blueprints. And so, what I'm getting at is if in each size band—and you might recall we measured our service addressable market, our SAM, by saying, what if each of the firms in each size band among engineering firms would spend per millions of dollars of their design revenue—which we know because they reported the Engineering News-Record—what the one that spends the most on that is? And none of these are small; there's no aberrations in that data. And apply ourselves to do that. And we can multiply our revenue and engineering firms by achieving, in all of them, the density we have in some of them. And Claire will help us understand that, and communicate better, and focus more. Nicholas, maybe you want to talk a bit about the solutions group and evolution of that?

Nicholas C: Yeah. So, we established a solutions group about a year ago now. And the focus, as Greg commented during the prepared remarks, was very much on owners-operators and was aligned along all the major infrastructure sectors, such as transportation or mobility, electric utility, water utility, so on and so forth.

And the main purpose of that group, and the same will apply from now on to engineering firms with Claire, was really to look at the world through the lens of the industries we serve, understand the big trends in that industry, the big themes of that industry, and clarify how we, Bentley, can best support those trends. How can we best support the transformation of these sectors?

So, this is what Claire is going to do. Focusing on engineering firms, which is indeed the majority of our revenue still, looking at the world through their lens. How can we help them be more efficient and more effective, whether at the individual engineering practitioner level using our engineering applications, or as an organization using our enterprise systems, such as ProjectWise? And how can we help them, if this is something they want to do, transform their business if they want to become digital integrators, if they want to offer their own digital services to owners and operators and have more of a recurring revenue stream? How can we help them with our experience there and our software?

Kristen O: That's very helpful color. Thank you so much.

Ankit H: Great. Thanks. Next, we'll go to Andrew DeGasperi from Berenberg. Andrew?

Andrew DeGasperi: Thanks. Good morning. Maybe—Greg, thanks for breaking up the resources contribution recently. And I just wanted to ask, you mentioned oil and gas had a recovery, I just wondered how much does it contribute to ARR right now? And, maybe, could you elaborate a little bit how fast it's been growing relative to Bentley's core revenue?

Greg B: Well, that was the portion that was previously in industrial. So, you saw that was at most 20%—and even a bit less than that. But it's gone down, of course, with the Capex since 2019. It's now headed back in the right direction but slowly.

So, I would say it's not a significant contributor to ARR growth now. But it was a drag on ARR explicitly because they were all on the E365 program. That's the particular significance of turning it around. It helps E365 as a whole look as good as it really is.

Andrew D: Thanks. And then maybe one on Virtuosity. I know you mentioned the 600 in new SMB customers that are adding on. Have you seen momentum continue so far in Q3 on that? And do you expect any slowdown given the challenging conditions that customers are facing?

Greg B: Well, I don't think we comment much on Q3 yet, but slowdown doesn't characterize anything about Virtuosity. It's green light. But if the more capacity we put in there with—and it's been adding more inside sales reps, but we need to add the digital multiplication of their reach—and that, we're working on as fast as we can at the moment.

Andrew D: Thank you.

Ankit H: Next, we'll go to Michael Funk at BofA. Michael?

Michael Funk: Yeah, hey, good morning, guys. Thank you for the question. One for you, Greg: so, I always appreciate the commentary on exposure by project type, and then ARR growth by project type as well. Do you have any thoughts or comments to add, though, on funding to project type—meaning public versus private funding—as you think about rates increasing and capital budgets potentially getting cut?

Greg B: Well, the industrial sector—as we now narrow it, not to include resources and renewables—is privately funded, and that's where that exposure would be. The commercial facilities sector, you see, that's relatively small. And we've moved the discrete manufacturing into industrial. That's privately funded and, by rights, would be interest rate sensitive.

To tell you the truth, I keep expecting that to turn down, and it hasn't yet. But it may be because, in commercial facilities, the way we're differently using space now. Commercial and facility spaces requires enough adaptation that it's making up for what would otherwise be a lower capital investment there.

But you're right. It's necessary to break that down by infrastructure sector. Certainly, in public works and utilities and resources, it's mainly government or public expenditure that is not at risk, we think.

Michael F: That was great commentary. Thank you.

Ankit H: Thanks. Next, we'll go to Kash Rangan at Goldman Sachs. Kash?

Kash Rangan: Hey, thank you very much. I appreciate it. Greg, great to see you and the rest of the management team. Great results.

You made a point about engineering labor, design labor, being in short supply, and how the role of software is even more paramount. I'm curious if you'd expand your thoughts because it has implications for how you've been making acquisitions, adding more debt to the product portfolio. But if engineering talent is in short supply, how does the company go about getting more product adoption in a labor-constrained market? I was just curious to get your thoughts on that. Thank you so much.

Greg B: That has become the priority for the engineering firms. They do not expect this to turn around. And it couldn't because the new civil engineers, and geotechnical engineers, and structural engineers would need to be in school now, and they're not.

So, I like to say the engineering firms and engineering organizations for whom the pandemic proved to them that going digital was a necessity, they wouldn't have thought they could conduct their business if they couldn't come to work. But they were able to do that thanks to going digital. And now, that occurs to them as the same solution to their capacity problem to, as we say, be able to do more work without a greater workforce.

So, I think that is the main theme within those firms. It's not our theme. It's their theme, thankfully. And we'll have Claire to be able to help communicate that. Automation, replication, as Claire mentioned, component-based designs—those are the way to get more work with fewer engineering hours. And with a backlog—I just saw 135%, and they expect it to increase from there—everyone's on the same side of taking advantage of this thing.

Kash R: Greg, finally, is it your view that the company is gaining wallet share and market share? And if that's the case, how could you possibly accelerate share gains? Thank you so much, and that's it for me.

Greg B: Thank you. Well, I think that the share of engineering work, that is infrastructure engineering work, is growing in the world as among all engineering work, you see, because of the priorities—we call ES(D)G—to do with resilience, and energy transition, and so forth.

We don't tend to beat our chest about our own share, but I think that's gaining as well, at least in the SMB sector. And we're in a position of relative confidence now where we're sorry to have the Russia exit behind us, still worried about China. But, otherwise, the lights are green, and we're confident about achieving our original annual outlook, despite the concerns that have come and gone and will continue to come and go in 2022.

So, thanks to everyone for their time and attention today.

Ankit H: I guess with that, I'm seeing no more questions in queue. So, we'll end the call on that note. Thank you for your time, everybody. And we'll see you next quarter.