UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-39548

BENTLEY SYSTEMS, INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	**95-3936623**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
685 Stockton Drive **Exton, Pennsylvania**	**19341**
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: **(610) 458-5000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class B Common Stock, par value $0.01 per share	**BSY**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐
	Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 4, 2021, the registrant had 11,601,757 shares of Class A and 265,119,441 shares of Class B Common Stock, par value $0.01 per share, outstanding.

BENTLEY SYSTEMS, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements

BENTLEY SYSTEMS, INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 569,536	$ 122,006
Accounts receivable	189,530	195,782
Allowance for doubtful accounts	(6,370)	(5,759)
Prepaid income taxes	3,994	3,535
Prepaid and other current assets	25,118	24,694
Total current assets	781,808	340,258
Property and equipment, net	27,767	28,414
Operating lease right-of-use assets	41,691	46,128
Intangible assets, net	53,697	45,627
Goodwill	622,756	581,174
Investments	5,245	5,691
Deferred income taxes	42,133	39,224
Other assets	51,771	39,519
Total assets	$ 1,626,868	$ 1,126,035
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 15,947	$ 16,492
Accruals and other current liabilities	296,497	226,793
Deferred revenues	186,396	202,294
Operating lease liabilities	15,894	16,610
Income taxes payable	11,721	3,366
Total current liabilities	526,455	465,555
Long-term debt	672,599	246,000
Long-term operating lease liabilities	27,861	31,767
Deferred revenues	7,108	7,020
Deferred income taxes	14,305	10,849
Income taxes payable	7,883	7,883
Other liabilities	16,660	15,362
Total liabilities	1,272,871	784,436
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, $0.01 par value, authorized 100,000,000 shares; none issued or outstanding as of March 31, 2021 and December 31, 2020	—	—
Class A Common Stock, $0.01 par value, authorized 100,000,000 shares; issued and outstanding 11,601,757 shares as of March 31, 2021 and December 31, 2020, and Class B Common Stock, $0.01 par value, authorized 1,800,000,000 shares; issued and outstanding 262,120,726 and 260,552,747 shares as of March 31, 2021 and December 31, 2020, respectively	2,737	2,722
Additional paid-in capital	732,635	741,113
Accumulated other comprehensive loss	(35,394)	(26,233)
Accumulated deficit	(345,981)	(376,003)
Total stockholders' equity	353,997	341,599
Total liabilities and stockholders' equity	$ 1,626,868	$ 1,126,035

See accompanying notes to consolidated financial statements.

BENTLEY SYSTEMS, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenues:		
Subscriptions	$ 188,125	$ 170,182
Perpetual licenses	10,116	10,814
Subscriptions and licenses	198,241	180,996
Services	23,764	13,694
Total revenues	222,005	194,690
Cost of revenues:		
Cost of subscriptions and licenses	28,945	21,327
Cost of services	20,344	15,932
Total cost of revenues	49,289	37,259
Gross profit	172,716	157,431
Operating expenses:		
Research and development	47,803	45,135
Selling and marketing	32,440	36,095
General and administrative	33,388	26,804
Amortization of purchased intangibles	3,438	3,436
Total operating expenses	117,069	111,470
Income from operations	55,647	45,961
Interest expense, net	(2,319)	(1,388)
Other income (expense), net	14,482	(7,390)
Income before income taxes	67,810	37,183
Provision for income taxes	(10,358)	(7,176)
Loss from investment accounted for using the equity method, net of tax	(446)	(338)
Net income	57,006	29,669
Less: Net income attributable to participating securities	—	—
Net income attributable to Class A and Class B common stockholders	$ 57,006	$ 29,669
Per share information:		
Net income per share, basic	$ 0.19	$ 0.10
Net income per share, diluted	$ 0.18	$ 0.10
Weighted average shares, basic	302,583,452	285,486,972
Weighted average shares, diluted	321,736,649	292,378,627

See accompanying notes to consolidated financial statements.

BENTLEY SYSTEMS, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Net income	$ 57,006	$ 29,669
Other comprehensive loss, net of taxes:		
Foreign currency translation adjustments	(9,182)	(5,085)
Actuarial gain on retirement plan, net of tax effect of $(8) and $(7), respectively	21	9
Total other comprehensive loss, net of taxes	(9,161)	(5,076)
Comprehensive income	$ 47,845	$ 24,593

See accompanying notes to consolidated financial statements.

BENTLEY SYSTEMS, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(in thousands, except share data)
(unaudited)

	Three Months Ended March 31, 2021						
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value				
Balance, December 31, 2020	272,154,504	$ 2,722	$ 741,113	$ (26,233)	$ (376,003)	$ 341,599
Net income	—	—	—	—	57,006	57,006
Other comprehensive loss	—	—	—	(9,161)	—	(9,161)
Purchase of capped call options, net of tax of $6,250	—	—	(19,430)	—	—	(19,430)
Dividends declared	—	—	—	—	(8,219)	(8,219)
Shares issued in connection with deferred compensation plan, net	339,503	3	—	—	(8,862)	(8,859)
Deferred compensation plan voluntary contributions	—	—	854	—	—	854
Shares issued in connection with Executive Bonus Plan, net	79,961	1	5,573		(2,037)	3,537
Stock option exercises, net	1,263,121	12	1,739	—	(7,158)	(5,407)
Stock-based compensation expense	—	—	2,786	—	—	2,786
Shares related to restricted stock, net	(114,606)	(1)	—	—	(708)	(709)
Balance, March 31, 2021	273,722,483	$ 2,737	$ 732,635	$ (35,394)	$ (345,981)	$ 353,997

	Three Months Ended March 31, 2020					
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value				
Balance, December 31, 2019	254,842,949	$ 2,548	$ 408,667	$ (23,927)	$ (52,669)	$ 334,619
Net income	—	—	—	—	29,669	29,669
Other comprehensive loss	—	—	—	(5,076)	—	(5,076)
Dividends declared	—	—	—	—	(7,666)	(7,666)
Profit-sharing plan shares, net	(186,715)	(2)	—	—	(1,848)	(1,850)
Shares issued in connection with deferred compensation plan, net	683,072	7	—	—	(308)	(301)
Deferred compensation plan voluntary contributions	—	—	1,003	—	—	1,003
Payment of shareholder Put and Call rights	(37,870)	—	—	—	(302)	(302)
Stock option exercises, net	697,833	6	712	—	(1,336)	(618)
Shares issued for stock grants	10,951	—	119	—	—	119
Stock-based compensation expense	—	—	1,653	—	—	1,653
Shares related to restricted stock, net	(285,019)	(3)	(116)	—	(121)	(240)
Balance, March 31, 2020	255,725,201	$ 2,556	$ 412,038	$ (29,003)	$ (34,581)	$ 351,010

See accompanying notes to consolidated financial statements.

BENTLEY SYSTEMS, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities:		
Net income	$ 57,006	$ 29,669
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,993	8,050
Bad debt allowance (recovery)	746	(256)
Deferred income taxes	966	1,742
Deferred compensation plan activity	1,021	676
Stock-based compensation expense	8,913	1,653
Amortization and write-off of deferred debt issuance costs	1,229	138
Change in fair value of derivative	(13,661)	—
Change in fair value of contingent consideration	—	(1,390)
Foreign currency remeasurement (gain) loss	(583)	6,985
Loss from investment accounted for using the equity method, net of tax	446	338
Changes in assets and liabilities, net of effect from acquisitions:		
Accounts receivable	14,903	38,273
Prepaid and other assets	8,257	5,653
Accounts payable, accruals and other liabilities	54,977	6,778
Deferred revenues	(21,889)	(28,247)
Income taxes payable	11,474	2,550
Net cash provided by operating activities	132,798	72,612
Cash flows from investing activities:		
Purchases of property and equipment and investment in capitalized software	(2,655)	(4,500)
Acquisitions, net of cash acquired of $1,326 and $1,986, respectively	(57,975)	(39,329)
Other investing activities	—	(1,414)
Net cash used in investing activities	(60,630)	(45,243)
Cash flows from financing activities:		
Proceeds from credit facilities	16,000	58,907
Payments of credit facilities	(262,000)	(133,625)
Proceeds from convertible senior notes, net of discounts and commissions	672,750	—
Payments of debt issuance costs	(3,777)	—
Purchase of capped call options	(25,530)	—
Payments of financing leases	(50)	(47)
Payments of acquisition debt and other consideration	(25)	(127)
Payments of dividends	(8,219)	(7,802)
Payments for shares acquired including shares withheld for taxes	(18,763)	(3,918)
Proceeds from exercise of stock options	1,751	724
Net cash provided by (used in) financing activities	372,137	(85,888)
Effect of exchange rate changes on cash and cash equivalents	3,225	(2,293)
Increase (decrease) in cash and cash equivalents	447,530	(60,812)
Cash and cash equivalents, beginning of year	122,006	121,101
Cash and cash equivalents, end of period	$ 569,536	$ 60,289

BENTLEY SYSTEMS, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Supplemental information:		
Cash paid for income taxes	$ 4,214	$ 4,181
Income tax refunds	4,519	117
Interest paid	766	1,842
Non-cash investing and financing activities:		
Contingent acquisition consideration	549	—
Deferred, non-contingent consideration, net	1,718	—
Convertible senior notes expenses included in *Accounts payable* and *Accruals and other current liabilities*	605	—
Capped call options expenses included in *Accounts payable*	150	—
Share-settled Executive Bonus Plan awards	5,574	—
Voluntary deferred compensation plan contributions	855	1,003

See accompanying notes to consolidated financial statements.

Note 1: Basis of Presentation

Basis of Presentation — The accompanying unaudited consolidated financial statements include the accounts of Bentley Systems, Incorporated ("Bentley" or the "Company") and its wholly-owned subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, they do not include all the information and notes required by U.S. GAAP for annual financial statements. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Part II, Item 8 of the Company's 2020 Annual Report on Form 10-K on file with the SEC. In management's opinion, the Company made all adjustments (consisting of normal, recurring and non-recurring adjustments) during the quarter that were considered necessary for the fair statement of the financial position and operating results of the Company. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. The December 31, 2020 consolidated balance sheet included herein is derived from the Company's audited consolidated financial statements.

Convertible Notes — On January 26, 2021, the Company completed a private offering of $690,000 of 0.125% convertible senior notes due 2026 (the "2026 Notes"). The Company incurred $18,055 of expenses in connection with the 2026 Notes offering consisting of the payment of initial purchasers' discounts and commissions, professional fees, and other expenses ("transaction costs"). In connection with the pricing of the 2026 Notes, the Company entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. The capped call options are expected to reduce potential dilution to the Company's Class B Common Stock upon any conversion of 2026 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. The Company paid premiums of $25,530 in connection with the capped call options (See Note 10).

Initial Public Offering — On September 25, 2020, the Company completed its initial public offering ("IPO"). The selling stockholders sold 12,360,991 shares of Class B Common Stock at a public offering price of $22.00 per share. The Company did not sell any shares in the IPO and did not receive any of the proceeds from the sale of the Class B Common Stock sold by the selling stockholders. For further detail, see the audited consolidated financial statements and notes thereto included in Part II, Item 8 of the Company's 2020 Annual Report on Form 10-K on file with the SEC.

Follow-On Public Offering — On November 17, 2020, the Company completed its follow-on public offering of 11,500,000 shares of Class B Common Stock at a public offering price of $32.00 per share (the "Follow-On Offering"). The Company sold 9,603,965 shares of Class B Common Stock (inclusive of 1,500,000 shares sold upon the exercise by the underwriters of their option to purchase additional shares of the Company's Class B Common Stock). The selling stockholders sold 1,896,035 shares of Class B Common Stock. The Company received net proceeds of $294,429 after deducting expenses of $12,898. The Company did not receive any of the proceeds from the sale of the Class B Common Stock sold by the selling stockholders. For further detail, see the audited consolidated financial statements and notes thereto included in Part II, Item 8 of the Company's 2020 Annual Report on Form 10-K on file with the SEC.

Risks and Uncertainties — COVID-19 Pandemic — In March 2020, the World Health Organization declared a global pandemic related to the rapidly growing outbreak of the disease COVID-19, caused by a novel strain of coronavirus, SARS-CoV-2. The COVID-19 outbreak and certain preventative or protective actions that governments, businesses, and individuals have taken in respect of COVID-19 have resulted in global business disruptions.

In response to the COVID-19 pandemic, the Company implemented a number of initiatives to ensure the safety of its colleagues and enable them to move to a work from home environment seamlessly and continue working effectively. The Company's business model is such that there was minimal disruption to the Company's ability to deliver its solutions to accounts, and the Company believes it did not have any significant loss of productivity during this transition. The Company has also taken measures to reduce selected operating expenses, including various costs associated with travel and facilities.

Note 2: Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform between March 12, 2020 and December 31, 2022. The expedients and exceptions provided by ASU 2020-04 do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The Company had no transactions that were impacted by ASU 2020-04 during the three months ended March 31, 2021.

Recently Adopted Accounting Guidance

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which removes Step 2 of the goodwill impairment test. A goodwill impairment will now be calculated as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The new guidance is required to be applied on a prospective basis and as such, the Company will use the simplified test in its annual fourth quarter testing or more often if circumstances indicate a potential impairment may exist. The Company does not believe this ASU will have a material impact on its consolidated results of operations and financial position.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"), which aligns the requirements for capitalizing implementation costs in cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company prospectively adopted the ASU effective January 1, 2021. Capitalized costs related to cloud computing arrangements for the three months ended March 31, 2021, which are included in *Prepaid and other current assets* in the consolidated balance sheet, were not material.

In August 2020, the FASB issued ASU No. 2020-06, *Debt–Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging–Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The Company early adopted the ASU effective January 1, 2021 using the modified retrospective method of adoption (see Notes 10 and 23).

Note 3: Revenue from Contracts with Customers

The Company recognizes revenue upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration received in exchange for those goods or services.

Nature of Products and Services

The Company generates revenues from subscriptions, perpetual licenses, and professional services.

Subscriptions

SELECT subscriptions — A prepaid annual recurring subscription that accounts (which are based on distinct contractual and billing relationships with the Company, where affiliated entities of a single parent company may each have an independent account with the Company) can elect to add to a new or previously purchased perpetual license. SELECT provides accounts with benefits, including upgrades, comprehensive technical support, pooled licensing benefits, annual portfolio balancing exchange rights, learning benefits, certain Azure-based cloud collaboration services, mobility advantages, and access to other available benefits. SELECT subscription revenues are recognized as distinct performance obligations are satisfied. The performance obligations within the SELECT offering, outside of the portfolio balancing exchange right, are concurrently delivered and have the same pattern of recognition. These performance obligations are accounted for ratably over the term as a single performance obligation.

Enterprise subscriptions — The Company also provides Enterprise subscription offerings which provide its largest accounts with complete and unlimited global access to the Company's comprehensive portfolio of solutions. Enterprise License Subscriptions ("ELS") provide access for a prepaid fee, which is based on the account's usage of software in the preceding year, to effectively create a fee-certain consumption-based arrangement. ELS contain a term license component, SELECT maintenance and support, and performance consulting days. The SELECT maintenance and support benefits under ELS do not include a portfolio balancing performance obligation. Revenue is allocated to the various performance obligations based on their respective standalone selling price ("SSP"). Revenue allocated to the term license component is recognized upon delivery at the start of the subscription term while revenues for the SELECT maintenance and support and the performance consulting days are recognized as delivered over the subscription term. Billings in advance are recorded as *Deferred revenues* in the consolidated balance sheets.

Enterprise 365 ("E365") subscriptions provide unrestricted access to the Company's comprehensive software portfolio, similar to ELS, however, the accounts are charged based upon daily usage. The daily usage fee also includes a term license component, SELECT maintenance and support, hosting, and Success Plan services, which are designed to achieve business outcomes through more efficient and effective use of the Company's software. E365 revenues are recognized based upon usage incurred by the account. Usage is defined as distinct user access on a daily basis. E365 subscriptions can contain quarterly usage floors or collars as accounts transition to the usage model or for accounts within the public sector. The term of E365 subscriptions aligns with calendar quarters and revenue is recognized based on actual usage.

Term license subscriptions — The Company provides annual, quarterly, and monthly term licenses for its software products. Term license subscriptions contain a term license component and SELECT maintenance and support. Revenue is allocated to the various performance obligations based on their SSP. Annual term licenses (“ATL”) are generally prepaid annually for named user access to specific products. Quarterly term license (“QTL”) subscriptions allow accounts to pay quarterly in arrears for license usage that is beyond their prepaid subscriptions. Monthly term license (“MTL”) subscriptions are identical to QTL subscriptions, except for the term of the license, and the manner in which they are monetized. MTL subscriptions require a Cloud Services Subscription (“CSS”), which is described below. For ATL, revenue allocated to the term license component is recognized upon delivery at the start of the subscription term while revenue for the SELECT maintenance and support is recognized as delivered over the subscription term. Billings in advance are recorded as *Deferred revenues* in the consolidated balance sheets. For usage-based QTL and MTL subscriptions, revenues are recognized based upon usage incurred by the account. Usage is defined as peak usage over the respective terms. The terms of QTL and MTL subscriptions align with calendar quarters and calendar months, respectively, and revenue is recognized based on actual usage.

Visas and Passports are quarterly or annual term licenses enabling users to access specific project or enterprise information and entitles users to certain functionality of the Company’s *ProjectWise* and *AssetWise* systems. The Company’s standard offerings are usage based with monetization through the Company’s CSS program as described below.

CSS is a program designed to streamline the procurement, administration, and payment process. The program requires an account to estimate their annual usage for CSS eligible offerings and deposit funds in advance. Actual consumption is monitored and invoiced against the deposit on a calendar quarter basis. CSS balances not utilized for eligible products or services may roll over to future periods or are refundable. Paid and unconsumed CSS balances are recorded in *Accruals and other current liabilities* in the consolidated balance sheets. Software and services consumed under CSS are recognized pursuant to the applicable revenue recognition guidance for the respective software or service and classified as subscriptions or services based on their respective nature.

Perpetual licenses

Perpetual licenses may be sold with or without attaching a SELECT subscription. Historically, attachment and retention of the SELECT subscription has been high given the benefits of the SELECT subscription. Perpetual license revenue is recognized upon delivery of the license to the user.

Services

The Company provides professional services including training, implementation, configuration, customization, and strategic consulting services. The Company performs projects on both a time and materials and a fixed fee basis. The Company’s recent and preferred contractual structures for delivering professional services include (i) delivery of the services in the form of subscription-like, packaged offerings which are annually recurring in nature, and (ii) delivery of the Company’s growing portfolio of Success Plans in standard offerings which offer a level of subscription service over and above the standard technical support offered to all accounts as part of their SELECT or Enterprise agreement. Revenues are recognized as services are performed.

The Company primarily utilizes its direct internal sales force and also has arrangements through independent channel partners to promote and sell Bentley products and subscriptions to end-users. Channel partners are authorized to promote the sale of an authorized set of Bentley products and subscriptions within an authorized geography under a Channel Partner Agreement.

Significant Judgments and Estimates

The Company's contracts with customers may include promises to transfer licenses (perpetual or term-based), maintenance, and services to a user. Judgment is required to determine if the promises are separate performance obligations, and if so, the allocation of the transaction price to each performance obligation. When an arrangement includes multiple performance obligations which are concurrently delivered and have the same pattern of transfer to the customer, the Company accounts for those performance obligations as a single performance obligation. For contracts with more than one performance obligation, the transaction price is allocated among the performance obligations in an amount that depicts the relative SSP of each obligation. Judgment is required to determine the SSP for each distinct performance obligation. In instances where SSP is not directly observable, such as when the Company does not sell the product or service separately, the Company determines the SSP using information that may include market conditions and other observable inputs. The Company uses a range of amounts to estimate SSP when it sells each of the products and services separately and needs to determine whether there is a discount that should be allocated based on the relative SSP of the various products and services.

The Company's SELECT agreement provides users with perpetual licenses a right to exchange software for other eligible perpetual licenses on an annual basis upon renewal. The Company refers to this option as portfolio balancing and has concluded that the portfolio balancing feature represents a material right resulting in the deferral of the associated revenue. Judgment is required to estimate the percentage of users who may elect to portfolio balance and considers inputs such as historical user elections. This feature is available once per term and must be exercised prior to the respective renewal term. The Company recognizes the associated revenue upon election or when the portfolio balancing right expires. This right is included in the initial and subsequent renewal terms and the Company reestablishes the revenue deferral for the material right upon the beginning of the renewal term. As of March 31, 2021 and December 31, 2020, the Company has deferred $18,016 and $18,166, respectively, related to portfolio balancing exchange rights which is included in *Deferred revenues* in the consolidated balance sheets.

Contract Assets and Contract Liabilities

	March 31, 2021	December 31, 2020
Contract assets	$ 395	$ 446
Deferred revenues	193,504	209,314

As of March 31, 2021 and December 31, 2020, the Company's contract assets relate to performance obligations completed in advance of the right to invoice and are included in *Prepaid and other current assets* in the consolidated balance sheets. Contract assets were not impaired as of March 31, 2021 and December 31, 2020.

Deferred revenues consist of billings made or payments received in advance of revenue recognition from subscriptions and professional services. The timing of revenue recognition may differ from the timing of billings to users.

For the three months ended March 31, 2021, $91,125 of revenue that was included in the December 31, 2020 deferred revenue balance was recognized. There were additional deferrals of $78,210, which were primarily related to new billings. For the three months ended March 31, 2020, $98,928 of revenue that was included in the December 31, 2019 deferred revenue opening balance was recognized. There were additional deferrals of $73,512, which were primarily related to new billings.

Remaining Performance Obligations

The Company's contracts with customers include amounts allocated to performance obligations that will be satisfied at a later date. As of March 31, 2021, amounts allocated to these remaining performance obligations are $193,504, of which the Company expects to recognize 96.3% over the next 12 months with the remaining amount thereafter.

Disaggregation of Revenues

The following table details revenues:

	Three Months Ended March 31,	
	2021	2020
Revenues:		
Subscriptions:		
SELECT subscriptions	$ 66,140	$ 67,891
Enterprise subscriptions	71,015	58,734
Term license subscriptions	50,970	43,557
Subscriptions	188,125	170,182
Perpetual licenses:		
Perpetual licenses	10,116	10,814
Subscriptions and licenses	198,241	180,996
Services:		
Professional services (recurring)	6,077	3,780
Professional services (other)	17,687	9,914
Services	23,764	13,694
Total revenues	$ 222,005	$ 194,690

The Company recognizes perpetual licenses and the term license component of subscriptions as revenue when either the licenses are delivered or at the start of the subscription term. For the three months ended March 31, 2021 and 2020, the Company recognized $95,625 and $85,417 of license related revenues, respectively, of which $85,509 and $74,603, respectively, were attributable to the term license component of the Company's subscription based commercial offerings recorded in *Subscriptions* in the consolidated statements of operations.

The Company derived 8% and 7% and of its total revenues through channel partners for the three months ended March 31, 2021 and 2020, respectively.

Revenue to external customers is attributed to individual countries based upon the location of the customer.

	Three Months Ended March 31,	
	2021	2020
Revenues:		
Americas (1)	$ 108,862	$ 97,900
Europe, the Middle East, and Africa ("EMEA") (2)	73,848	62,114
Asia-Pacific ("APAC")	39,295	34,676
Total revenues	$ 222,005	$ 194,690

(1) Americas includes the United States ("U.S."), Canada, and Latin America (including the Caribbean). Revenue attributable to the U.S. totaled $92,940 and $82,420 for the three months ended March 31, 2021 and 2020, respectively.

(2) Revenue attributable to the United Kingdom ("U.K.") totaled $22,383 and $13,680 for the three months ended March 31, 2021 and 2020, respectively.

Note 4: Acquisitions

For the three months ended March 31, 2021 and the year ended December 31, 2020, the Company completed a number of acquisitions, none of which were material, individually or in the aggregate, to the Company's consolidated statements of operations and financial position. The aggregate details of the Company's acquisition activity are as follows:

	Acquisitions Completed in	
	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Number of acquisitions	3	6
Cash paid at closing	$ 59,301	$ 98,298
Cash acquired	(1,326)	(5,266)
Net cash paid	$ 57,975	$ 93,032

The fair value of the contingent consideration from acquisitions is included in the consolidated balance sheets as follows:

	March 31, 2021	December 31, 2020
Accruals and other current liabilities	$ 3,093	$ 2,884
Other liabilities	1,692	1,415
Contingent consideration from acquisitions	$ 4,785	$ 4,299

The fair value of non-contingent consideration from acquisitions is included in the consolidated balance sheets as follows:

	March 31, 2021	December 31, 2020
Accruals and other current liabilities	$ 2,323	$ 685
Other liabilities	2,635	1,774
Non-contingent consideration from acquisitions	$ 4,958	$ 2,459

The operating results of the acquired businesses are included in the Company's consolidated financial statements from the closing date of each respective acquisition. The purchase price for each acquisition has been allocated to the net tangible and intangible assets and liabilities based on their estimated fair values at the respective acquisition date. Independent valuations are obtained to support purchase price allocations when deemed appropriate.

In connection with the purchase price allocations related to the Company's acquisitions, the Company has estimated the fair values of the support obligations assumed relative to acquired deferred revenue. The estimated fair values of the support obligations assumed were determined using a cost-build-up approach. The cost-build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. For accounting purposes, the sum of the costs and operating profit approximates the amount that the Company would be required to pay a third party to assume the support obligations. These fair value adjustments reduce the revenues recognizable over the remaining support contract term of the Company's acquired contracts. For the three months ended March 31, 2021 and 2020, the fair value adjustments to reduce revenue were $12 and $116, respectively.

The purchase accounting for the three acquisitions completed for the three months ended March 31, 2021 and two of the acquisitions completed during the year ended December 31, 2020 are not yet completed. Identifiable assets acquired and liabilities assumed were provisionally recorded at their estimated fair values on the respective acquisition date. The initial accounting for these business combinations is not complete because the evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. The allocation of the purchase price may be modified from the date of the acquisition as more information is obtained about the fair values of assets acquired and liabilities assumed, however such measurement period cannot exceed one year.

Acquisition and integration costs are expensed as incurred and are recorded in *General and administrative* in the consolidated statements of operations. For the three months ended March 31, 2021 and 2020, the Company incurred acquisition and integration costs of $6,861 and $813, respectively, which include costs related to legal, accounting, valuation, general administrative, and other consulting fees. For the three months ended March 31, 2021, $6,716 of the Company's acquisition and integration costs related to entering into the definitive agreement to acquire Seequent Holdings Limited ("Seequent"). See the section titled "—Acquisitions Subsequent to March 31, 2021" below.

The following summarizes the fair values of the assets acquired and liabilities assumed, as well as the weighted average useful lives assigned to acquired intangible assets at the respective date of each acquisition (including contingent consideration):

	Acquisitions Completed in	
	Three Months Ended March 31, 2021	**Year Ended December 31, 2020**
Consideration:		
Cash paid at closing	$ 59,301	$ 98,298
Contingent consideration	549	2,380
Deferred, non-contingent consideration, net	1,718	1,416
Total consideration	$ 61,568	$ 102,094
Assets acquired and liabilities assumed:		
Cash	$ 1,326	$ 5,266
Prepaid and other current assets	5,617	8,701
Operating lease right-of-use assets	192	2,529
Property and equipment	550	499
Other assets	300	36
Customer relationship asset (weighted average useful life of 5 and 6 years, respectively)	11,326	11,371
Software and technology (weighted average useful life of 3 years)	1,399	2,207
Non-compete agreement (useful life of 5 years)	—	200
Trademarks (weighted average useful life of 3 and 7 years, respectively)	481	3,953
Total identifiable assets acquired excluding goodwill	21,191	34,762
Accruals and other current liabilities	(3,678)	(4,991)
Deferred revenues	(1,902)	(5,351)
Operating lease liabilities	(192)	(2,529)
Deferred income taxes	(3,280)	(1,701)
Other liabilities	(178)	(86)
Total liabilities assumed	(9,230)	(14,658)
Net identifiable assets acquired excluding goodwill	11,961	20,104
Goodwill	49,607	81,990
Net assets acquired	$ 61,568	$ 102,094

The fair values of the working capital, other assets (liabilities), and property and equipment approximated their respective carrying values as of the acquisition date.

As discussed above, the fair values of deferred revenues were determined using the cost-build-up approach.

The fair values of the intangible assets were primarily determined using the income approach. When applying the income approach, indications of fair values were developed by discounting future net cash flows to their present values at market-based rates of return. The cash flows were based on estimates used to price the acquisitions and the discount rates applied were benchmarked with reference to the implied rate of return from the Company's pricing model and the weighted average cost of capital.

Goodwill recorded in connection with the acquisitions was attributable to synergies expected to arise from cost saving opportunities, as well as future expected cash flows. Of the goodwill recorded as of March 31, 2021, none is expected to be deductible for tax purposes.

Acquisitions Subsequent to March 31, 2021

In April 2021, the Company completed two acquisitions and entered into a definitive agreement to acquire a third company totaling approximately $54,200 in cash, net of cash acquired and subject to customary adjustments, including for working capital. The third acquisition is expected to close during May 2021. The acquisitions are not expected to be material to the Company's consolidated statements of operations and financial position.

On March 11, 2021, the Company entered into a definitive agreement to acquire Seequent, a leader in software for geological and geophysical modeling, geotechnical stability, and cloud services for geodata management and collaboration, for approximately $900,000 in cash, net of cash acquired and subject to customary adjustments, including for working capital, plus 3,141,361 shares of the Company's Class B Common Stock. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close during the second quarter of 2021. The Company expects to use readily available cash, including a portion of the net proceeds from the January 26, 2021 convertible debt offering (see Note 10), and borrowings under its bank credit facility (see Note 10), to fund the cash component of the transaction.

Note 5: Property and Equipment, Net

Property and equipment, net consist of the following:

	March 31, 2021	December 31, 2020
Land	$ 2,811	$ 2,811
Building and improvements	33,243	33,094
Computer equipment and software	45,161	44,369
Furniture, fixtures, and equipment	13,210	12,849
Aircraft	4,075	4,075
Other	60	58
Property and equipment, at cost	98,560	97,256
Less: Accumulated depreciation	(70,793)	(68,842)
Total property and equipment, net	$ 27,767	$ 28,414

Depreciation expense for the three months ended March 31, 2021 and 2020 was $2,497 and $2,423, respectively.

Note 6: Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill are as follows:

Balance, December 31, 2020	$	581,174
Acquisitions		49,607
Foreign currency translation adjustments		(7,861)
Other adjustments		(164)
Balance, March 31, 2021	$	622,756

Details of intangible assets other than goodwill are as follows:

		March 31, 2021			December 31, 2020		
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intangible assets subject to amortization:							
Software and technology	3 years	$ 68,501	$ (63,646)	$ 4,855	$ 67,691	$ (63,046)	$ 4,645
Customer relationships	3-10 years	106,976	(68,043)	38,933	97,008	(66,030)	30,978
Trademarks	3-10 years	27,002	(17,357)	9,645	26,610	(16,888)	9,722
Non-compete agreements	5 years	350	(86)	264	350	(68)	282
Total intangible assets		$ 202,829	$ (149,132)	$ 53,697	$ 191,659	$ (146,032)	$ 45,627

The aggregate amortization expense for purchased intangible assets with finite lives was reflected in the Company's consolidated statements of operations as follows:

	Three Months Ended March 31,	
	2021	2020
Cost of subscriptions and licenses	$ 1,151	$ 1,013
Amortization of purchased intangibles	3,438	3,436
Total amortization expense	$ 4,589	$ 4,449

Note 7: Investments

In September 2020, the Company acquired an interest in a platform as a service technology company with a focus on digital twin integration in the energy sector, which the Company accounts for using the cost method. As of March 31, 2021 and December 31, 2020, the carrying amount of the Company's cost method investment was $3,440.

In September 2019, the Company and Topcon Positioning Systems, Inc. ("Topcon") formed Digital Construction Works, Inc. ("DCW"), a joint venture which operates as a digital integrator of software and cloud services for the construction industry, which the Company accounts for using the equity method. DCW's focus is to transform the construction industry from its legacy document-centric paradigm by simplifying and enabling digital automated workflows and processes, technology integration, and digital twinning services for infrastructure. The Company and Topcon each have a 50% ownership in DCW. As of March 31, 2021 and December 31, 2020, the carrying amount of the Company's investment in DCW was $1,805 and $2,251, respectively.

The Company tests its investments for impairment whenever circumstances indicate that the carrying value of the investment may not be recoverable. The Company's investments were not impaired as of March 31, 2021.

Related Party Disclosures — Pursuant to Accounting Standards Codification ("ASC") 850-10-20, *Related Party Disclosures*, the Company has determined that DCW is a related party. For the three months ended March 31, 2021 and 2020, transactions between the Company and DCW were not material to the Company's consolidated financial statements.

Note 8: Leases

The Company's operating leases consist of office facilities, office equipment, and automobiles, and the Company's finance lease consists of computer equipment. The finance lease is not material for the periods presented. As of March 31, 2021, the Company's leases have remaining terms of less than one year to nine years, some of which include one or more options to renew, with renewal terms from one year to ten years and some of which include options to terminate the leases from less than one year to ten years.

For contracts with lease and non-lease components, the Company has elected not to allocate the contract consideration, and account for the lease and non-lease components as a single lease component. Payments under the Company's lease arrangements are primarily fixed, however, certain lease agreements contain variable payments, which are expensed as incurred and not included in the operating lease assets and liabilities. Variable lease cost may include common area maintenance, property taxes, utilities, and fluctuations in rent due to a change in an index or rate. The Company has elected not to recognize a right-of-use asset or lease liability for short-term leases (leases with a term of twelve months or less). Short-term leases are recognized in the consolidated statement of operations on a straight-line basis over the lease term. Short-term lease expense was not material for the periods presented.

The components of operating lease cost reflected in the consolidated statement of operations were as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating lease cost [(1)]	$ 4,543	$ 4,345
Variable lease cost	968	1,021
Short-term lease cost	4	25
Total operating lease cost	$ 5,515	$ 5,391

(1) Operating lease cost includes rent cost related to operating leases for office facilities of $4,351 and $4,146 for the three months ended March 31, 2021 and 2020, respectively.

Other information related to leases was as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 4,686	$ 4,482
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 614	$ 4,467

The weighted average remaining lease term for operating leases was 3.5 years and 3.7 years as of March 31, 2021 and December 31, 2020, respectively. The weighted average discount rate was 2.1% as of March 31, 2021 and December 31, 2020.

Maturities of operating lease liabilities are as follows:

	March 31, 2021
Remainder of 2021	$ 12,972
2022	13,768
2023	8,727
2024	4,719
2025	3,484
Thereafter	1,923
Total future lease payments	45,593
Less: Imputed interest	(1,838)
Total operating lease liabilities	$ 43,755

As of March 31, 2021, the Company had additional operating lease minimum lease payments of $8,505 for executed leases that have not yet commenced, primarily for office locations.

Supplemental balance sheet information related to the financing lease was as follows:

	March 31, 2021	December 31, 2020
Property and equipment	$ 576	$ 572
Accumulated depreciation	(288)	(229)
Property and equipment, net	$ 288	$ 343
Accruals and other current liabilities	$ 199	$ 197
Other liabilities	50	99
Total financing lease liabilities	$ 249	$ 296

Note 9: Accruals and Other Current Liabilities

Accruals and other current liabilities consist of the following:

	March 31, 2021	December 31, 2020
CSS deposits	$ 173,788	$ 110,291
Accrued benefits	34,254	36,613
Accrued compensation	24,047	22,131
Due to customers	11,852	9,869
Accrued professional fees	8,647	4,210
Accrued hosting costs	7,184	7,988
Accrued indirect taxes	5,652	6,361
Accrued acquisition stay bonuses	5,209	5,599
Contingent consideration from acquisitions	3,093	2,884
Accrued severance and realignment costs	2,574	7,209
Non-contingent consideration from acquisitions	2,323	685
Accrued facility costs	2,129	2,095
ESPP contributions (see Note 13)	1,946	—
Other accrued and current liabilities	13,799	10,858
Total accruals and other current liabilities	$ 296,497	$ 226,793

Note 10: Long-Term Debt

Long-term debt consists of the following:

	March 31, 2021	December 31, 2020
Bank credit facility:		
Senior secured revolving loan facility	$ —	$ 246,000
2026 Notes:		
Principal	690,000	—
Unamortized debt issuance costs	(17,401)	—
Net carrying value	672,599	—
Total long-term debt	$ 672,599	$ 246,000

Bank Credit Facility

On January 25, 2021, the Company entered into the Second Amendment to the Amended and Restated Credit Agreement dated December 19, 2017, which increased the senior secured revolving loan facility from $500,000 to $850,000 and extended the maturity date from December 18, 2022 to November 15, 2025 (the "Credit Facility"). In connection with the Second Amendment, certain lenders exited the Credit Facility. The Company performed an extinguishment versus modification assessment on a lender-by-lender basis resulting in the write-off of unamortized debt issuance costs of $353 and the capitalization of fees paid to lenders and third parties of $3,577. Debt issuance costs are amortized to interest expense through the maturity date of November 15, 2025.

In addition to the senior secured revolving loan facility, the Credit Facility also provides up to $50,000 of letters of credit and other incremental borrowings subject to availability, including a $85,000 multi-currency swing-line sub-facility and a $200,000 incremental "accordion" sub-facility. The Company had $150 of letters of credit and surety bonds outstanding as of March 31, 2021 and December 31, 2020. As of March 31, 2021 and December 31, 2020, the Company had $849,850 and $253,850 available under the Credit Facility.

Under the Credit Facility, the Company may make either Euro currency or non-Euro currency interest rate elections. Interest on the Euro currency borrowings is at the one-month LIBOR plus a spread ranging from 125 basis points ("bps") to 225 bps as determined by the Company's net leverage ratio. Under the non-Euro currency elections, Credit Facility borrowings bear a base interest rate of the highest of (i) the prime rate, (ii) the overnight bank funding effective rate plus 50 bps, or (iii) LIBOR plus 100 bps, plus a spread ranging from 25 bps to 125 bps as determined by the Company's leverage ratio. In addition, a commitment fee for the unused Credit Facility ranges from 20 bps to 30 bps as determined by the Company's net leverage ratio.

Borrowings under the Credit Facility are guaranteed by all of the Company's first tier domestic subsidiaries and are secured by a first priority security interest in substantially all of the Company's and the guarantors' U.S. assets and 65% of the stock of their directly owned foreign subsidiaries. The Credit Facility contains both affirmative and negative covenants, including maximum leverage ratios. As of March 31, 2021 and December 31, 2020, the Company was in compliance with all covenants in its Credit Facility debt agreements.

The agreement governing the Credit Facility contains customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenants defaults, cross-defaults to certain other indebtedness in excess of $50,000, certain events of bankruptcy and insolvency, judgment defaults in excess of $10,000, failure of any security document supporting the Credit Facility to be in full force and effect, and a change of control.

Voluntary prepayments of amounts outstanding under the Credit Facility, in whole or in part, are permitted at any time, so long as the Company gives notice as required by the Credit Facility. However, if prepayment is made with respect to a LIBOR-based loan and the prepayment is made on a date other than an interest payment date, the Company must pay customary breakage costs.

Convertible Notes

On January 26, 2021, the Company completed a private offering of $690,000 of 0.125% convertible senior notes due 2026. The 2026 Notes were issued pursuant to an indenture, dated as of January 26, 2021, between the Company and Wilmington Trust, National Association, as trustee (the "Trustee") (the "Indenture"). Interest will accrue from January 26, 2021 and will be payable semi-annually in arrears in cash on January 15 and July 15 of each year, with the first payment due on July 15, 2021. The 2026 Notes will mature on January 15, 2026, unless earlier converted, redeemed or repurchased. The Company incurred $18,055 of expenses in connection with the 2026 Notes offering consisting of the payment of transaction costs. As of March 31, 2021, $555 and $50 of the transaction costs were recorded in *Accounts payable* and *Accruals and other current liabilities* in the consolidated balance sheet, respectively. The Company used $25,530 of the net proceeds from the sale of the 2026 Notes to pay the premiums of the capped call options described further below, and approximately $250,500 to repay outstanding indebtedness under the Credit Facility and to pay related fees and expenses. The Company intends to use the remainder of the net proceeds from the sale of the 2026 Notes for general corporate purposes and towards funding the acquisition of Seequent (see Note 4).

Prior to October 15, 2025, the 2026 Notes will be convertible at the option of the holder only under the following circumstances: (1) during any calendar quarter (and only during such quarter) commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per share of the Company's Class B Common Stock exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any ten consecutive trading day period (such ten consecutive trading day period, the "measurement period") in which the trading price per $1 principal amount of 2026 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's Class B Common Stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company's Class B Common Stock, as described in the Indenture; and (4) if the Company calls the 2026 Notes for redemption. On or after October 15, 2025 until 5:00 p.m., New York City time, on the second scheduled trading day immediately before the maturity date, the 2026 Notes will be convertible at the option of the holder at any time.

The Company will settle conversions by paying or delivering, as applicable, cash, shares of the Company's Class B Common Stock or a combination of cash and shares of the Company's Class B Common Stock, at the Company's election, based on the applicable conversion rate. The initial conversion rate is 15.5925 shares of the Company's Class B Common Stock per $1 principal amount of 2026 Notes, which represents an initial conversion price of approximately $64.13 per share, and is subject to adjustment as described in the Indenture. If a "make-whole fundamental change" (as defined in the Indenture) occurs, then the Company will, in certain circumstances, increase the conversion rate for a specified period of time.

The Company will have the option to redeem the 2026 Notes in whole or in part at any time on or after January 20, 2024 and on or before the 40th scheduled trading day immediately before the maturity date if the last reported sale price per share of the Company's Class B common stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during any 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (2) the trading day immediately before the date the Company sends such notice. The redemption price will be equal to the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Upon a fundamental change (as defined in the Indenture), holders may, subject to certain exceptions, require the Company to purchase their 2026 Notes in whole or in part for cash at a price equal to the principal amount of the 2026 Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date (as defined in the Indenture). In addition, upon a Make-Whole Fundamental Change (as defined in the Indenture), the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its 2026 Notes in connection with such Make-Whole Fundamental Change. No adjustment to the conversion rate will be made if the stock price in such Make-Whole Fundamental Change is either less than $44.23 per share or greater than $210.00 per share. The Company will not increase the conversion rate to an amount that exceeds 22.6090 shares per $1 principal amount of 2026 Notes, subject to adjustment. The Indenture also contains a customary merger covenant.

Under the Indenture, the 2026 Notes may be accelerated upon the occurrence of certain customary events of default. If certain bankruptcy and insolvency-related events of default with respect to the Company occur, the principal of, and accrued and unpaid interest on, all of the then outstanding 2026 Notes shall automatically become due and payable. If any other event of default occurs and is continuing, the Trustee by notice to the Company, or the holders of the 2026 Notes of at least 25% in principal amount of the outstanding 2026 Notes by notice to the Company and the Trustee, may declare the principal of, and accrued and unpaid interest on, all of the then outstanding 2026 Notes to be due and payable. Notwithstanding the foregoing, the Indenture provides that, to the extent the Company elects, the sole remedy for an event of default relating to certain failures by the Company to comply with reporting covenant in the Indenture consists exclusively of the right to receive additional interest on the 2026 Notes.

As discussed in Note 2, the Company early adopted ASU 2020-06 as of January 1, 2021 and concluded the 2026 Notes will be accounted for as debt, with no bifurcation of the embedded conversion feature. Transaction costs were recorded as a direct deduction from the related debt liability in the consolidated balance sheet and are amortized to interest expense using the effective interest method over the term of the 2026 Notes. For the three months ended March 31, 2021, the effective interest rate for the 2026 Notes was 0.658%.

As of March 31, 2021, none of the conditions of the 2026 Notes to early convert have been met.

The 2026 Notes are the Company's senior, unsecured obligations that rank senior in right of payment to the Company's future indebtedness that is expressly subordinated to the 2026 Notes, rank equally in right of payment with the Company's future senior unsecured indebtedness that is not so subordinated, effectively subordinated to the Company's existing and future secured indebtedness (including obligations under the Company's senior secured credit facilities), to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables and preferred equity (to the extent the Company is not a holder thereof)) of the Company's subsidiaries. The 2026 Notes contain both affirmative and negative covenants. As of March 31, 2021, the Company was in compliance with all covenants in the 2026 Notes.

Capped Call Options

In connection with the pricing of the 2026 Notes, the Company entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. The Company incurred $150 of expenses in connection with the capped call options, which were recorded in *Accounts payable* in the consolidated balance sheet as of March 31, 2021. The capped call options are expected to reduce potential dilution to the Company's Class B Common Stock upon any conversion of 2026 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the capped call options is $72.9795 per share, which represents a premium of 65% above the last reported sale price per share of the Company's Class B Common Stock on the Nasdaq Global Select Market on January 21, 2021 and is subject to customary adjustments under the terms of the capped call options.

The capped call options were entered into in conjunction with the issuance of the 2026 Notes, however, they are legally separate agreements that can be separately exercised, with the receipt of shares under the capped call options having no effect on the 2026 Notes, and are legally detachable. As the capped call options are both legally detachable and separately exercisable from the 2026 Notes, the Company accounts for the capped call options separately from the 2026 Notes. The capped call options are indexed to the Company's own common stock and classified in stockholders' equity. As such, the premiums paid for the capped call options have been included as a net reduction to *Additional paid-in capital* in the consolidated balance sheet.

Interest Expense

Interest expense consists of the following:

	Three Months Ended March 31,	
	2021	**2020**
Bank credit facility:		
Senior secured revolving loan facility [1]	$ 729	$ 1,540
Interest rate swap	301	—
Amortization and write-off of deferred debt issuance costs	575	138
	1,605	1,678
2026 Notes:		
Coupon interest	154	—
Amortization of deferred debt issuance costs	654	—
	808	—
Other obligations	(12)	12
Total interest expense	$ 2,401	$ 1,690

(1) The weighted average interest rate was 1.90% and 2.59% for the three months ended March 31, 2021 and 2020, respectively.

Interest rate risk associated with the Credit Facility is managed through an interest rate swap which the Company executed on March 31, 2020. The swap has an effective date of April 2, 2020 and a termination date of April 2, 2030. Under the terms of the swap, the Company fixed its LIBOR borrowing rate at 0.73% on a notional amount of $200,000. The interest rate swap is not designated as a hedging instrument for accounting purposes. The Company accounts for the swap as either an asset or a liability on the consolidated balance sheet and carries the derivative at fair value. Gains and losses from the change in fair value are recognized in *Other income (expense), net* in the consolidated statement of operations. As of March 31, 2021 and December 31, 2020, the Company recorded a swap related asset at fair value of $14,011 and $347, respectively, in *Other assets* in the consolidated balance sheets.

Note 11: Executive Bonus Plan

Certain of the Company's key employees, including its named executive officers, participate in the Bentley Systems, Incorporated Bonus Pool Plan, as amended and restated, effective as of September 22, 2020 (the "Bonus Plan"). Pursuant to the Bonus Plan, participants are eligible to receive incentive bonuses that are determined based on the Company's adjusted Management Report Operating Income ("MROI"), as defined in the plan agreement and before deduction for such plan payments. For purposes of the Bonus Plan, the bonus pool thereunder may be funded with up to an aggregate of 20% of the Company's adjusted MROI, subject to approval by the board of directors, with payments made to plan participants based on each such participant's allocated interest in the bonus pool. The plan permits the deduction of certain holdback amounts from the plan's pool, from which amounts can then be allocated to fund items including equity and/or cash incentive compensation for non-plan participants and participant charitable contributions.

A participant may defer any portion, or all, of such participant's incentive bonus payable pursuant to the Bonus Plan into the amended and restated Bentley Systems, Incorporated Nonqualified Deferred Compensation Plan (the "DCP") (see Note 12). Prior to September 22, 2020, a participant's non-deferred incentive bonus was payable in cash. Effective September 22, 2020, the Bonus Plan provides, in part, that a participant may elect to receive any portion, or all, of such participant's non-deferred incentive bonus in the form of shares of fully vested Class B Common Stock issued under the Bentley Systems, Incorporated 2020 Omnibus Incentive Plan (the "2020 Incentive Award Plan") beginning in the fourth quarter of 2020, subject to the limitation described below. The Company records the election of non-deferred incentive bonus in the form of shares of fully vested Class B Common Stock as stock-based compensation expense in the consolidated statement of operations (see Note 15). Such election must be made prior to the start of the applicable calendar quarter for which the incentive bonus is to be paid, and the number of shares of Class B Common Stock payable in respect of such elected amount is calculated using a volume-weighted average price of the Company's Class B Common Stock for the period commencing on the tenth trading day prior to the end of the applicable calendar quarter and ending on the tenth trading day following the end of the applicable calendar quarter. Notwithstanding participants' elections to receive shares of fully vested Class B Common Stock in respect of their non-deferred incentive bonus payments, if, in any calendar quarter, the aggregate U.S. Dollar value of shares of fully vested Class B Common Stock payable in respect of the non-deferred incentive bonuses exceeds $7,500, the portion of each participant's non-deferred incentive bonus payable in shares of fully vested Class B Common Stock will be reduced pro rata such that the $7,500 limit is not exceeded, and, for each affected participant, the amount of such reduction will be payable in cash.

For the three months ended March 31, 2021 and 2020, the incentive compensation, including cash payments, election to receive shares of fully vested Class B Common Stock beginning in the fourth quarter of 2020, and deferred compensation to plan participants, recognized under this plan (net of all applicable holdbacks) was $8,875 and $8,097, respectively.

Note 12: Retirement Plans

The Company also has a nonqualified DCP, which was amended and restated effective September 22, 2020, under which certain officers and key colleagues may defer all or any part of their incentive compensation, and the Company may make discretionary awards on behalf of such participants. Elective participant deferrals and discretionary Company awards are required to be in the form of phantom shares of the Company's Class B Common Stock, which are valued for tax and accounting purposes in the same manner as actual shares of Class B Common Stock. The Company's discretionary awards made prior to January 1, 2016 vest 20% on the date of grant and 20% on each of the four subsequent anniversary dates. The Company's discretionary awards made on or after January 1, 2016 are 100% vested at the time of grant. No discretionary contributions were made to the DCP for the three months ended March 31, 2021 and 2020. As of March 31, 2021 and December 31, 2020, phantom shares issuable by the DCP were 30,076,143 and 30,590,955, respectively.

Amounts in the DCP attributable to certain non-colleague participants are settled in cash and are classified as liabilities which are marked to market at the end of each reporting period. The total liability related to the DCP for non-colleague participants was $2,757 and $2,591 as of March 31, 2021 and December 31, 2020, respectively.

Note 13: Common Stock

Sales, Repurchases, and Issuances of Company Common Stock

In September 2016, the Company entered into a Class B Common Stock Purchase Agreement with a strategic investor (the "Common Stock Purchase Agreement"), pursuant to which the investor could acquire in a series of transactions up to $200,000 of the Company's Class B Common Stock at the then prevailing fair market value, either directly from selling stockholders, in which case the Company would act as pass through agent, or by funding the Company's repurchase and subsequent sale to the investor of shares acquired by the Company from existing Company stockholders.

The Common Stock Purchase Agreement grants to the strategic investor certain informational and protective rights, including, for so long as the Company remains party to a long-term strategic collaboration agreement with the investor, a pre-IPO right of first refusal on any sale of the Company and a post-IPO right to participate in any sale process the Company may undertake. The strategic investor's right of first refusal terminated upon the effectiveness of the Company's IPO registration statement.

On April 23, 2018, the Company entered into an amendment to the Common Stock Purchase Agreement, which (i) increased the maximum purchase amount from $200,000 to $250,000 thereunder, (ii) extended the expiration of the agreement from 2026 to 2030, and (iii) granted the Company the right to retain a portion of the shares that would otherwise be sold to the investor.

During the three months ended March 31, 2020, there were no shares purchased under the Common Stock Purchase Agreement. As of December 31, 2020, the investor reached the maximum purchase amount of $250,000.

For the three months ended March 31, 2021, the Company issued 1,263,121 shares of Class B Common Stock to colleagues who exercised their stock options, net of 262,210 shares withheld at exercise to pay for the cost of the stock options, as well as for $7,158 of applicable income tax withholdings. The Company received $1,751 in proceeds from the exercise of stock options.

For the three months ended March 31, 2020, the Company issued 697,833 shares of Class B Common Stock to colleagues who exercised their stock options, net of 561,667 shares withheld at exercise to pay for the cost of the stock options, as well as for $1,341 of applicable income tax withholdings. The Company received $724 in proceeds from the exercise of stock options. For the three months ended March 31, 2020, the Company paid $302 for 37,870 shares sold back to the Company upon exercise of the Put and Call provisions under its applicable equity incentive plans. Upon the completion of the IPO, the Put and Call provisions of the Company's Amended and Restated 2015 Equity Incentive Plan (the "2015 Equity Incentive Plan") terminated automatically.

For the three months ended March 31, 2021, the Company issued 79,961 shares of Class B Common Stock in connection with Bonus Plan incentive compensation earned in the fourth quarter of 2020, net of shares withheld. Of the total 126,038 shares awarded, 46,077 shares were sold back to the Company to pay for applicable income tax withholdings of $2,037.

For the three months ended March 31, 2021 and 2020, the Company issued 339,503 and 683,072 shares of Class B Common Stock to DCP participants in connection with distributions from the plan. The distribution in shares for the three months ended March 31, 2021 totaled 556,475 shares of which 216,972 shares were sold back to the Company in the same period to pay for applicable income tax withholdings of $8,859. The distribution in shares for the three months ended March 31, 2020 totaled 720,827 shares of which 37,755 shares were sold back to the Company to pay for the cost of applicable income tax withholding of $301.

For the three months ended March 31, 2021, the Company did not repurchase shares from its profit-sharing plan. The Company repurchased 186,715 shares from its profit-sharing plan for $1,850 for the three months ended March 31, 2020.

Dividends — The Company declared cash dividends during the periods presented as follows:

	Dividend Per Share	Amount
2021:		
First quarter	$ 0.03	$ 8,219
2020:		
First quarter	$ 0.03	$ 7,666

Global Employee Stock Purchase Plan — Effective September 22, 2020, the Company's Board and its stockholders adopted and approved the Bentley Systems, Incorporated Global Employee Stock Purchase Plan (the "ESPP"). The ESPP provides eligible colleagues of the Company with an opportunity to contribute up to 15% of their eligible compensation toward the purchase of the Company's Class B Common Stock at a discounted price, up to a maximum of $25 per year and subject to any other plan limitations. The ESPP has 25,000,000 shares of Class B Common Stock reserved for issuance. The ESPP will be implemented by means of consecutive offering periods, with the first offering period commencing on the first trading day on or after January 1, 2021 and ending on the last trading day on or before June 30, 2021. Unless otherwise determined by the board of directors, offering periods will run from January 1st (or the first trading day thereafter) through June 30th (or the first trading day prior to such date), and from July 1st (or the first trading day thereafter) through December 31st (or the first trading day prior to such date). The purchase price per share at which shares of Class B Common Stock are sold in an offering period under the ESPP will be equal to the lesser of 85% of the fair market value of a share of Class B Common Stock (i) on the first trading day of the offering period, or (ii) on the purchase date (i.e., the last trading day of the purchase period). As of March 31, 2021, $1,946 of ESPP withholding via employee payroll deduction were recorded in *Accruals and other current liabilities* in the consolidated balance sheet. As of March 31, 2021, no shares were issued under the ESPP.

Note 14: Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following:

	Foreign Currency Translation	Actuarial (Loss) Gain on Retirement Plan	Total
Balance, December 31, 2020	$ (25,219)	$ (1,014)	$ (26,233)
Other comprehensive (loss) income, before taxes	(9,182)	29	(9,153)
Tax expense	—	(8)	(8)
Other comprehensive (loss) income, net of taxes	(9,182)	21	(9,161)
Balance, March 31, 2021	$ (34,401)	$ (993)	$ (35,394)

	Foreign Currency Translation	Actuarial (Loss) Gain on Retirement Plan	Total
Balance, December 31, 2019	$ (22,908)	$ (1,019)	$ (23,927)
Other comprehensive (loss) income, before taxes	(5,085)	16	(5,069)
Tax expense	—	(7)	(7)
Other comprehensive (loss) income, net of taxes	(5,085)	9	(5,076)
Balance, March 31, 2020	$ (27,993)	$ (1,010)	$ (29,003)

Note 15: Equity Awards and Instruments

Stock-Based Compensation Expense

Total stock-based compensation expense was as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Stock option expense	$ 998	$ 1,534
Restricted stock and restricted stock units ("RSUs") expense	1,497	—
Stock grants expense	—	119
Bonus Plan expense (see Note 11)	6,124	—
ESPP expense (see Note 13)	449	—
Total pre-tax expense (1)	$ 9,068	$ 1,653

(1) As of March 31, 2021 and December 31, 2020, $6,279 and $6,835 remained in *Accruals and other current liabilities* in the consolidated balance sheets, respectively.

Total stock-based compensation expense is included in the consolidated statements of operations as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cost of subscriptions and licenses	$ 89	$ 28
Cost of services	243	96
Research and development	3,955	619
Selling and marketing	788	400
General and administrative	3,993	510
Total pre-tax expense	$ 9,068	$ 1,653

Stock-based compensation expense is measured at the grant date fair value of the award and is recognized ratably over the requisite service period, which is generally the vesting period. The Company accounts for forfeitures of equity awards as those forfeitures occur.

The fair value of the common stock during periods prior to the IPO was determined by the board of directors at each award grant date based upon a variety of factors, including the results obtained from independent third-party valuations, the Company's financial position, and historical financial performance.

Stock Options

The following is a summary of stock option activity and related information under the Company's applicable equity incentive plans:

	Stock Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2020	12,842,226	$ 4.87		
Exercised	(1,525,331)	4.23		
Canceled	(45,250)	5.12		
Outstanding, March 31, 2021	11,271,645	$ 4.96	1.93	$ 473,067
Exercisable, March 31, 2021	6,859,645	$ 4.60	1.52	$ 290,383

For the three months ended March 31, 2021 and 2020, the Company received cash proceeds of $1,751 and $724, respectively, related to the exercise of stock options. The total intrinsic value of stock options exercised for the three months ended March 31, 2021 and 2020 was $61,267 and $8,143, respectively.

As of March 31, 2021, there was $5,459 of unrecognized compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of approximately 2.7 years.

Acquisition Options — In addition to stock options granted under the Company's equity incentive plans, in connection with an acquisition completed in March 2018, the Company issued to certain selling shareholder entities options to acquire an aggregate of up to 900,000 shares of Class B Common Stock. The options have a five-year term, are exercisable on the fourth anniversary of the closing of the acquisition, and have an initial exercise price of $6.805 per share. The options had a four-year service condition, which terminated automatically upon the completion of the IPO, and therefore, total stock-based compensation expense associated with these options was fully recognized as of September 30, 2020. The exercise price of the options is subject to a cap and collar adjustment mechanism that automatically reduces (but not to less than $0.01) or increases the exercise price based on the difference between the exercise price and the fair market value of the Company's Class B Common Stock on the exercise date. As of March 31, 2021, all options to acquire 900,000 shares remain outstanding. As of March 31, 2021, these options are non-exercisable and have an aggregate intrinsic value of $7,992.

Restricted Stock and RSUs

Under the equity incentive plans, the Company may grant both time-based and performance-based shares of restricted Class B Common Stock and RSUs to eligible colleagues. Time-based awards generally vest ratably on each of the first four anniversaries of the grant date. Performance-based awards vesting is determined by the achievement of certain business profitability and growth targets, which include growth in annual recurring revenues, as well as actual bookings for perpetual licenses and non-recurring services. Performance targets are set for annual performance periods.

The fair value of restricted stock and RSUs is determined by the product of the number of shares granted and the Company's common stock price (as described above) on the grant date.

The following is a summary of unvested restricted stock and RSU activity and related information under the Company's applicable equity incentive plans:

	Total Restricted Stock and RSUs	Time-Based Restricted Stock and RSUs	Performance-Based Restricted Stock and RSUs [(2)]	Time-Based Weighted Average Grant Date Fair Value Per Share	Performance-Based Weighted Average Grant Date Fair Value Per Share
Unvested, December 31, 2020	1,423,715	1,263,193	160,522	$ 16.38	$ 16.62
Granted	9,000	9,000	—	45.32	—
Vested	(40,695)	(5,765)	(34,930)	19.68	17.53
Canceled	(132,892)	(7,300)	(125,592)	15.48	16.36
Unvested, March 31, 2021 [(1)]	1,259,128	1,259,128	—	$ 16.57	$ —

(1) Includes 43,000 RSUs which are expected to be settled in cash.

(2) Relates to the 2020 annual performance period. Total stock-based compensation expense associated with these awards was fully recognized as of December 31, 2020.

For the three months ended March 31, 2021, the weighted average grant date fair value of RSUs was $45.32. No RSUs were granted during the three months ended March 31, 2020. No restricted stocks were granted during the three months ended March 31, 2021 and 2020.

In 2016, the Company granted RSUs subject to performance-based vesting as determined by the achievement of certain business growth targets. Certain colleagues elected to defer delivery of such shares upon vesting. During the three months ended March 31, 2021 and 2020, 10,864 and 9,830 shares, respectively, were delivered to colleagues, and 14 and 124 additional shares, respectively, were earned as a result of dividends. As of March 31, 2021 and December 31, 2020, 20,190 and 31,040 shares, respectively, of these RSUs remained outstanding.

For the three months ended March 31, 2021 and 2020, restricted stock and RSUs were issued net of 14,869 and 26,511 shares, respectively, which were sold back to the Company to settle applicable income tax withholdings of $708 and $121, respectively.

As of March 31, 2021, there was $18,560 of unrecognized compensation expense related to unvested time-based restricted stock and RSUs, which is expected to be recognized over a weighted average period of approximately 3.2 years. There was no remaining unrecognized compensation expense related to unvested performance-based restricted stock and RSUs.

Stock Grants

The Company did not grant fully vested shares of Class B Common Stock during the three months ended March 31, 2021. For the three months ended March 31, 2020, the Company granted 10,951 fully vested shares of Class B Common Stock with a fair value of and $119.

ESPP

In accordance with the guidance in ASC 718-50, *Compensation—Stock Compensation*, the ability to purchase shares of the Company’s Class B Common Stock for 85% of the of the lower of the price of the first day of the offering period or the last day of the offering period (i.e., the purchase date) represents an option and, therefore, the ESPP is a compensatory plan under this guidance.

The fair value of each purchase right under the ESPP was calculated as a sum of its components, which includes the discount, a six-month call option, and a six-month put option. The call and put options were valued using the Black-Scholes option pricing model. Stock-based compensation expense is recognized ratably over the six-month offering period.

Equity Awards Subsequent to March 31, 2021

In April 2021, the Company granted 493,808 time-based and 99,808 performance-based RSUs. Time-based vesting is generally ratably on each of the first four anniversaries of the grant date. Performance-based vesting is determined by the achievement of certain business profitability and growth targets, which include growth in annual recurring revenues, as well as actual bookings for perpetual licenses and non-recurring services, and certain non-financial performance targets. Performance targets are set for annual performance periods ended on December 31, 2021. The unrecognized compensation expense related to these RSUs is approximately $30,000, which is expected to be recognized over a weighted average period of approximately 3.5 years.

Note 16: Income Taxes

The Company calculates its interim income tax provision in accordance with ASC Topics 270, *Interim Reporting*, and 740, *Income Taxes*. At the end of each interim period, the Company makes an estimate of the annual U.S. domestic and foreign jurisdictions’ expected effective tax rates and applies these rates to its respective year-to-date taxable income or loss. The computation of the estimated effective tax rates at each interim period requires certain estimates and assumptions including, but not limited to, the expected operating income for the fiscal year, projections of the proportion of income (or loss) earned and taxed in the U.S. and foreign tax jurisdictions, along with permanent differences, and the likelihood of deferred tax asset utilization. The Company’s estimates and assumptions may change as new events occur, additional information is obtained, or as the tax environment changes. Should facts and circumstances change during a period causing a material change to the estimated effective income tax rate, a cumulative adjustment will be recorded.

The income tax provisions for the three months ended March 31, 2021 and 2020 were based on the estimated annual effective income tax rates adjusted for discrete items occurring during the periods presented. For the three months ended March 31, 2021 and 2020, the Company recognized an aggregate consolidated income tax expense of $10,358 and $7,176, respectively, for U.S. domestic and foreign income taxes. For the three months ended March 31, 2021 and 2020, the Company recorded a discrete tax benefit of $7,485 and $1,142, respectively, associated with stock-based compensation. The effective income tax rate of 15.3% for the three months ended March 31, 2021 was lower than the effective income tax rate of 19.3% for the three months ended March 31, 2020 primarily due to the tax benefit associated with stock-based compensation, partially offset by the impact from officer compensation limitation provisions.

Note 17: Fair Value of Financial Instruments

Derivatives Not Designated As Hedging Instrument

On March 31, 2020, the Company entered into an interest rate swap with a notional amount of $200,000 and a ten-year term to reduce the interest rate risk associated with the Company's Credit Facility. The interest rate swap is not designated as a hedging instrument for accounting purposes. The Company accounts for the swap as either an asset or a liability on the consolidated balance sheet and carries the derivative at fair value. Gains and losses from the change in fair value are recognized in *Other income (expense), net* and payments related to the swap are recognized in *Interest expense, net* in the consolidated statements of operations. For the three months ended March 31, 2021, the Company recorded a gain of $13,661 in *Other income (expense), net* and total payments recognized in *Interest expense, net* related to the swap were $301.

Fair Value

The Company applies the provisions of ASC Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the consolidated financial statements.

The Company's financial instruments include cash equivalents, account receivables, certain other assets, accounts payable, accruals, certain other current and long-term liabilities, and long-term debt.

The carrying values of the Company's financial instruments excluding long-term debt approximate their fair value due to the short-term nature of those instruments. Additionally, as of December 31, 2020, the fair value of the Company's borrowings under its Credit Facility approximated its carrying value based upon discounted cash flows at current market rates for instruments with similar remaining terms. The Company considers these valuation inputs to be Level 2 inputs in the fair value hierarchy. The estimated fair value of the 2026 Notes was $714,557 as of March 31, 2021 based on quoted market prices of the Company's instrument in markets that are not active and are classified as Level 2 within the fair value hierarchy. Considerable judgment is necessary to interpret the market data and develop estimates of fair values. Accordingly, the estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold, or settled.

A financial asset or liability classification is determined based on the lowest level input that is significant to the fair value measurement. The fair value hierarchy consists of the following three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs based on management's own assumptions used to measure assets and liabilities at fair value.

The following tables provide the financial assets and financial liabilities carried at fair value measured on a recurring basis:

March 31, 2021	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds [(1)]	$ 34,329	$ —	$ —	$ 34,329
Interest rate swap [(2)]	—	14,011	—	14,011
Total assets	$ 34,329	$ 14,011	$ —	$ 48,340
Liabilities:				
Acquisition contingent consideration [(3)]	$ —	$ —	$ 4,785	$ 4,785
Deferred compensation plan [(4)]	2,757	—	—	2,757
Cash-settled equity awards [(5)]	351	—	—	351
Total liabilities	$ 3,108	$ —	$ 4,785	$ 7,893

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds [(1)]	$ 34,696	$ —	$ —	$ 34,696
Interest rate swap [(2)]	—	347	—	347
Total assets	$ 34,696	$ 347	$ —	$ 35,043
Liabilities:				
Acquisition contingent consideration [(3)]	$ —	$ —	$ 4,299	$ 4,299
Deferred compensation plan [(4)]	2,591	—	—	2,591
Cash-settled equity awards [(5)]	195	—	—	195
Total liabilities	$ 2,786	$ —	$ 4,299	$ 7,085

(1) Included in *Cash and cash equivalents* in the consolidated balance sheets.

(2) Included in *Other assets* in the consolidated balance sheets.

(3) Included in *Other liabilities*, except for current liabilities of $3,093 and $2,884 as of March 31, 2021 and December 31, 2020, respectively, which are included in *Accruals and other current liabilities* in the consolidated balance sheets. Acquisition contingent consideration liability is measured at fair value and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions the Company believes would be made by a market participant.

(4) Included in *Other liabilities*, except for current liabilities of $176 and $169 as of March 31, 2021 and December 31, 2020, respectively, which are included in *Accruals and other current liabilities* in the consolidated balance sheets.

(5) Included in *Accruals and other current liabilities* in the consolidated balance sheets.

The following table is a reconciliation of the changes in fair value of the Company's financial liabilities which have been classified as Level 3 in the fair value hierarchy.

	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Balance, beginning of year	$ 4,299	$ 6,599
Payments	(25)	(3,425)
Addition	549	2,380
Change in fair value	—	(1,340)
Foreign currency translation adjustments	(38)	85
Balance, end of period	$ 4,785	$ 4,299

The Company did not have any transfers between levels within the fair value hierarchy.

Note 18: Commitments and Contingencies

Purchase Commitment — In the normal course of business, the Company enters into various purchase commitments for goods and services. As of March 31, 2021, the non-cancelable future cash purchase commitment for services related to the provisioning of the Company's hosted software solutions was $75,233 through May 2023. The Company expects to fully consume its contractual commitment in the ordinary course of operations.

Operating Leases — The Company leases certain facilities, automobiles, and equipment under operating leases having initial or remaining non-cancelable terms in excess of one year (see Note 8).

Litigation — From time to time, the Company is involved in certain legal actions arising in the ordinary course of business. In management's opinion, based upon the advice of counsel, the outcome of such actions is not expected to have a material adverse effect on the Company's future financial position, results of operations, or cash flows.

Note 19: Geographic Data

Revenues by geographic area are presented as part of the discussion in Note 3. The following table presents the Company's long-lived assets, net of depreciation and amortization by geographic region (see Notes 5, 6, and 8).

	March 31, 2021	December 31, 2020
Long-lived assets:		
Americas [1]	$ 59,451	$ 50,306
EMEA	50,056	56,322
APAC	13,648	13,541
Total long-lived assets	$ 123,155	$ 120,169

(1) Americas includes the U.S., Canada, and Latin America (including the Caribbean).

Note 20: Interest Expense, Net

Interest expense, net is comprised of the following:

	Three Months Ended March 31,	
	2021	2020
Interest expense	$ (2,401)	$ (1,690)
Interest income	82	302
Interest expense, net	$ (2,319)	$ (1,388)

Note 21: Other Income (Expense), Net

Other income (expense), net is comprised of the following:

	Three Months Ended March 31,	
	2021	2020
Foreign exchange gain (loss) (1)	$ 792	$ (8,781)
Other income, net (2)	13,690	1,391
Total other income (expense), net	$ 14,482	$ (7,390)

(1) Foreign exchange gain (loss) is primarily attributable to foreign currency translation derived primarily from U.S. Dollar denominated cash and cash equivalents, account receivables, and intercompany balances held by foreign subsidiaries. Intercompany finance transactions denominated in U.S. Dollars resulted in unrealized foreign exchange gains (losses) of $480 and $(6,777) for the three months ended March 31, 2021 and 2020, respectively.

(2) Other income, net includes a gain from the change in fair value of the Company's interest rate swap of $13,661 for the three months ended March 31, 2021. For the three months ended March 31, 2020, other income (expense), net is the gain from the change in fair value of acquisition contingent consideration (see Note 17).

Note 22: Realignment Costs

During the third quarter of 2020, the Company initiated a strategic realignment program in order to better serve the Company's users and to better align resources with the evolving needs of the business (the "2020 Program"). The Company incurred realignment costs of $10,046 for the year ended December 31, 2020 related to the aforementioned program, which represents termination benefits for colleagues whose positions were eliminated. The 2020 Program activities have been broadly implemented across the Company's various businesses with substantially all actions expected to be completed mid-2021.

Accruals and other current liabilities in the consolidated balance sheets included amounts related to the realignment activities as follows:

Balance, December 31, 2020	$ 6,240
Payments	(3,729)
Adjustments (1)	(131)
Balance, March 31, 2021	$ 2,380

(1) Adjustments includes foreign currency translation.

Note 23: Earnings Per Share

Earnings per share ("EPS") of Class A and Class B Common Stock amounts are computed using the two-class method required for participating securities and using the if-converted method for the 2026 Notes in accordance with ASU 2020-06.

The Company issues certain restricted stock awards determined to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of the Company's declaration of a dividend for common shares. As of March 31, 2021 and 2020, there were no participating securities outstanding.

Undistributed earnings allocated to participating securities are subtracted from net income in determining basic net income attributable to common stockholders. Basic EPS is computed by dividing basic net income attributable to common stockholders by the weighted average number of shares, inclusive of undistributed shares held in the DCP as phantom shares.

For the Company's diluted EPS numerator, interest expense, net of tax, attributable to the conversion of the 2026 Notes is added back to basic net income attributable to common stockholders. For the Company's diluted EPS denominator, the basic weighted average number of shares is adjusted by the effect of dilutive securities, including awards under the Company's equity compensation plans and ESPP, and by the dilutive effect of the assumed conversion of the 2026 Notes. Diluted EPS attributable to common stockholders is computed by dividing diluted net income attributable to common stockholders by the weighted average number of fully diluted common shares.

Except with respect to voting and conversion, the rights of the holders of the Company's Class A Common Stock and the Company's Class B Common Stock are identical. Each class of shares has the same rights to dividends and allocation of income (loss) and, therefore, earnings per share would not differ under the two-class method.

The details of basic and diluted EPS are as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Numerator:		
Net income	$ 57,006	$ 29,669
Less: Net income attributable to participating securities	—	—
Net income attributable to Class A and Class B common stockholders, basic	57,006	29,669
Add: Interest expense, net of tax, attributable to assumed conversion of 2026 Notes	130	—
Net income attributable to Class A and Class B common stockholders, diluted	$ 57,136	$ 29,669
Denominator:		
Weighted average shares, basic	302,583,452	285,486,972
Dilutive effect of securities	11,388,113	6,891,655
Dilutive effect of ESPP	114,364	—
Dilutive effect of assumed conversion of 2026 Notes	7,650,720	—
Weighted average shares, diluted	321,736,649	292,378,627
Net income per share, basic	$ 0.19	$ 0.10
Net income per share, diluted	$ 0.18	$ 0.10

The following potential common shares were excluded from the calculation of diluted net income per share attributable to common stockholders because their effect would have been anti-dilutive for the periods presented:

	Three Months Ended March 31,	
	2021	2020
RSUs	6,714	—
Total anti-dilutive securities	6,714	—

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and notes thereto included in Part II, Item 8 of our 2020 Annual Report on Form 10-K on file with the U.S. Securities and Exchange Commission (“SEC”). In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties, and assumptions that could cause actual results to differ materially from management’s expectations. Factors that could cause such differences are set forth in Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

All amounts presented in this Management’s Discussion and Analysis of Financial Condition and Results of Operations, except share and per share amounts, are presented in thousands. Additionally, many of the amounts and percentages have been rounded for convenience of presentation.

Overview:

We are a leading global provider of software for infrastructure engineering, enabling the work of civil, structural, geotechnical, and plant engineering practitioners, their project delivery enterprises, and owner-operators of infrastructure assets. We were founded in 1984 by the Bentley brothers and on September 25, 2020, we completed our IPO.

Our enduring commitment is to develop and support the most comprehensive portfolio of integrated software offerings across professional disciplines, project and asset lifecycles, infrastructure sectors, and geographies. Our software enables digital workflows across engineering disciplines, distributed project teams, from offices to the field, and across computing form factors, including desktops, on-premises servers, cloud-native services, mobile devices, and web browsers. We deliver our solutions via on-premise, cloud, and hybrid environments. Our users engineer, construct, and operate projects and assets across the following infrastructure sectors:

- *public works* (including roads, rail, airports, ports, and water and wastewater networks)/*utilities* (including electric, gas, water, and communications). We estimate that this sector represents 51% of the net infrastructure asset value of the global top 500 infrastructure owners based on the 2020 edition of the *Bentley Infrastructure 500 Top Owners*, our annual compilation of the world’s largest infrastructure owners ranked by net depreciated value of their tangible fixed assets;

- *industrial* (including discrete and process manufacturing, power generation, and water treatment plants)/*resources* (including oil and gas, mining, and offshore). We estimate that this sector represents 37% of the global top 500 infrastructure owners’ net infrastructure asset value; and

- *commercial/facilities* (including office buildings, hospitals, and campuses). We estimate that this sector represents 12% of the global top 500 infrastructure owners’ net infrastructure asset value.

We offer solutions for enterprises and professionals across the infrastructure lifecycle. Our Project Delivery and Asset and Network Performance solutions are systems provided via cloud and hybrid environments, developed respectively to extend enterprise collaboration during project delivery, and to manage and leverage engineering information during operations and maintenance. Our Design Integration and Digital Cities solutions are primarily desktop applications and cloud-provisioned solutions for professional practitioners and workgroups.

We continue to make substantial investments in research and development because we believe the infrastructure engineering software market presents compelling opportunities for the application of new technologies that advance our current solutions. Our research and development roadmap balances technology advances and new offerings with continuous enhancements to existing offerings. Our allocation of research and development resources is guided by management-established priorities, input from product managers, and user and sales force feedback.

We bring our offerings to market primarily through direct sales channels that generated approximately 92% of our 2020 revenues.

Our sources of revenue growth, in order of magnitude, come from the recurrence of existing subscription revenues, additional revenue and growth from existing accounts using the same products, additional revenue and growth from existing accounts using new products, and growth from new accounts. For the year ended December 31, 2020, subscriptions represented 85% of our revenues, and together with certain professional services revenues that are recurring in nature and represented 2% of our revenues, bring the proportion of our recurring revenues to 87% of total revenues. The remaining 13% of our revenues were generated from the sale of perpetual licenses and the delivery of non-recurring professional services. We have a highly-diversified account base, with our largest account representing no more than 2.5% of total revenues in 2020. Our 2020 revenues were also diversified by account type, size, and geography. Additionally, we believe that we have a loyal account base, with 80% of our 2020 revenues from organizations that have been our accounts for over ten years. Between 2000 and 2020, our revenues had an approximately 8% compound annual growth rate.

Our Commercial Offerings:

Our solutions are made available to our accounts in a broad range of commercial offerings designed to accommodate the diverse preferences of our accounts, which range from owned versus subscribed, short-term subscriptions versus longer term annual subscriptions, and fee-certain arrangements versus variable or consumption-based arrangements with consumption measurement durations of less than one year. We contract our commercial offerings under a single form of standard contract, which includes liability and other risk protections in our favor, and appropriate standard addendums to the primary contract, which specifically address the commercial offerings provided. Our standard commercial offerings are summarized in the below table, with further descriptions following the table:

	Subscription Offerings				Perpetual Licenses	Professional Services
	SELECT Subscriptions	Enterprise Subscriptions		Term License Subscriptions		
		E365	ELS			
Overview	• Prepaid annual recurring subscription based on owned perpetual licenses	• Complete and unlimited global access to our comprehensive portfolio of solutions • Includes benefits of SELECT subscriptions		• Consumption-based growth and expansion	• Available for accounts that prefer to own software licenses	• Offered alongside all subscription and license offerings
Topic 606 Revenue Recognition	• Substantially ratable	• Quarterly	• Substantially upfront	• Usage based, or substantially upfront if prepaid	• Upfront	• As delivered
Key Features	• Software upgrades • Technical support • License pooling • CONNECTservices • Open Access • Portfolio Balancing	• Unlimited portfolio access and users • Global pricing • Success Plan services included	• Unlimited portfolio access; unlimited users • License pooling	• For *Applications*: unlimited portfolio access; unlimited users • For *ProjectWise* and *AssetWise:* term access via Passports and Visas or Annual Subscriptions	• License ownership for select accounts	• Training • Implementation • Configuration • Customization • Strategic consulting

SELECT Subscriptions. Our SELECT subscription is a prepaid annual recurring subscription that accompanies a new or previously purchased perpetual license. We believe that the SELECT benefits summarized below support our favorable rates of account retention and growth:

- Software upgrades;
- Comprehensive technical support;
- License pooling providing accounts with efficiency advantages;

- Portfolio balancing providing accounts the opportunity to exchange unused or under used licenses with other of our license offerings;
- Learning benefits, Azure-based cloud collaboration services, and mobility advantages; and
- Access to our entire application portfolio with usage of licenses not previously purchased monetized quarterly in arrears based on consumption. See the section titled "—Term License Subscriptions" below.

Enterprise Subscriptions. Our Enterprise subscription offerings provide our largest accounts with complete and unlimited global access to our comprehensive portfolio of solutions.

- *Enterprise License Subscriptions ("ELS").* Our ELS offering provides access to our comprehensive portfolio of solutions for a fixed annual fee. Subsequent annual renewals are based on the account's usage of software in the preceding year, effectively resulting in an annual consumption-based arrangement. The majority of our ELS subscribers were historically SELECT subscribers that have grown into a position to take full advantage of our ELS offering.
- *Enterprise 365 ("E365") Subscriptions.* Under our E365 subscription, participating accounts have unrestricted access to our comprehensive software portfolio, similar to ELS, however they are charged based upon daily usage. The daily usage fee also includes a term license component, SELECT maintenance and support, hosting, and Success Plan services, which are designed to achieve business outcomes through more efficient and effective use of our software. The E365 subscription offering was introduced in 2018. We are prioritizing efforts to transition ELS subscribers to E365 subscriptions, primarily to simplify pricing, more closely align consumption to monetization, and to establish Success Plan services as recurring to ensure better business outcomes for our users. To the extent we succeed in transitioning subscribers to E365, we recognize a greater proportion of our revenues on a quarterly basis rather than substantially upfront. See the section titled "—Key Factors Impacting Comparability and Performance."

Term License Subscriptions

Annual Term Licenses ("ATL") Subscription. Annual term licenses are generally prepaid annually for named user access to specific products and include our newly introduced Practitioner Licenses. ATL are also used to monetize site or enterprise wide access for certain of our *AssetWise* solutions within given usage bands.

Quarterly Term License ("QTL") Subscription. Through quarterly term licenses, accounts pay quarterly in arrears for licenses they have used representing usage beyond their contracted quantities. Much like our Enterprise subscription programs, a QTL allows smaller and medium-sized accounts to match usage to ongoing project requirements.

Monthly Term License ("MTL") Subscription. Monthly term licenses are identical to QTL subscriptions, except for the term of the license, and the manner in which they are monetized. MTL subscriptions require a Cloud Services Subscription, which is discussed below.

Visas and Passports. Visas and Passports are quarterly or annual term licenses enabling users to access specific project or enterprise information and entitles our users to certain functionality of our *ProjectWise* and *AssetWise* systems. Generally, a Passport provides desktop, web, and mobile application access to project information and certain functions, and a Visa provides similar access, plus added functionality depending upon the product to which the Visa is aligned.

While certain legacy arrangements are supported, our standard offering requires Visas and Passports to be fulfilled and contracted via a CSS, which is discussed below.

Cloud Services Subscription ("CSS"). CSS is designed to streamline the procurement, administration, and payment process for us and our accounts. A CSS requires an upfront annual estimation of MTL, Visa and Passport consumption, and any Success Plan services expected for the upcoming year. A deposit for the annual estimated consumption is submitted in advance. Actual consumption is monitored and invoiced against the deposit on a calendar quarter basis. Accounts are charged only for what gets used and deposited amounts never expire.

Perpetual Licenses

We historically have sold perpetual licenses and continue to offer them to our accounts as an available option for most of our applications. Perpetual licenses are available for accounts that prefer to own their software licenses and may be sold with or without attaching a SELECT subscription. Historically, attachment and retention of the SELECT subscription has been high given the benefits of the SELECT subscription.

Professional Services

We offer professional services, including training, implementation, configuration, customization, and strategic consulting services for all types of projects as requested by our accounts. We perform projects on both a time and materials and a fixed fee basis. We also offer our services using contractual structures based on (i) delivery of the services in the form of subscription-like, packaged offerings that are annually recurring in nature; and (ii) delivery of our growing portfolio of Success Plans in standard offerings that offer a level of subscription service over and above the standard technical support offered to all accounts as part of their SELECT or Enterprise agreement. Over time, we expect professional services revenues using subscription and subscription-like contractual structures to make up a greater proportion of our professional services revenues.

Key Business Metrics:

We regularly review the following key metrics to evaluate our business, measure our performance, identify trends in our business, prepare financial projections, and make strategic decisions.

	Twelve Months Ended March 31,	
	2021	**2020**
Last twelve-months recurring revenues	$ 716,902	$ 647,596
Constant Currency:		
Annualized recurring revenues ("ARR") growth rate	10 %	10 %
Account retention rate	98 %	98 % [(1)]
Recurring revenues dollar-based net retention rate	107 %	109 % [(1)]

(1) On January 1, 2019, we adopted ASU No. 2014-09, *Revenue from Contracts with Customers*, and related amendments ("Topic 606"), which superseded the guidance provided by Accounting Standards Codification ("ASC") 985-605, *Software-Revenue Recognition*, and Topic 605-25, *Revenue Recognition, Multiple-Element Arrangements*. We refer to ASC 985-605 and Topic 605-25 collectively as "Topic 605." Prior to the year ended December 31, 2020, the account retention rate and recurring revenues dollar-based net retention rate were calculated using revenues recognized pursuant to Topic 605 for all periods in order to enhance comparability during our transition to Topic 606 as we did not have all information that was necessary to calculate account retention rate pursuant to Topic 606 for earlier periods. For further information on the impact upon adoption of Topic 606 as of January 1, 2019, see Note 3 to our audited consolidated financial statements included in Part II, Item 8 of our 2020 Annual Report on Form 10-K on file with the SEC. For further information on the comparability of recurring revenues recognized under Topic 606 versus Topic 605, see the section titled "—Key Factors Impacting Comparability and Performance" included in Part II, Item 7 of our 2020 Annual Report on Form 10-K on file with the SEC.

Last twelve-months recurring revenues. Last twelve-months recurring revenues is calculated as recurring revenues recognized over the preceding twelve-month period. We define recurring revenues as subscriptions revenues that recur monthly, quarterly, or annually with specific or automatic renewal clauses and professional services revenues in which the underlying contract is based on a fixed fee and contains automatic annual renewal provisions.

We believe that last twelve-months recurring revenues is an important indicator of our performance during the immediately preceding twelve-month time period. We believe that we will continue to experience favorable growth in recurring revenues due to our strong account retention and recurring revenues dollar-based net retention rates, as well as the addition of new accounts with recurring revenues. The last twelve-months recurring revenues for the periods ended March 31, 2021 compared to the last twelve-months of the preceding twelve-month period increased by $69,306. The increase was primarily due to growth in ARR, which is primarily the result of consistent performance in our account retention rate and in our recurring revenues dollar-based net retention rate, as well as additional recurring revenues resulting from new accounts and acquisitions. For the twelve months ended March 31, 2021, 86% of our revenues were recurring revenues.

Constant currency metrics. In reporting period-over-period results, we calculate the effects of foreign currency fluctuations and constant currency information by translating current period results using prior period average foreign currency exchange rates. Our definition of constant currency may differ from other companies reporting similarly named measures, and these constant currency performance measures should be viewed in addition to, and not as a substitute for, our operating performance measures calculated in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

ARR growth rate. Our ARR growth rate is the growth rate of our ARR, measured on a constant currency basis. Our ARR is defined as the sum of the annualized value of our portfolio of contracts that produce recurring revenue as of the last day of the reporting period, and the annualized value of the last three months of recognized revenues for our contractually recurring consumption-based software subscriptions with consumption measurement durations of less than one year. We believe that the last three months of recognized revenues, on an annualized basis, for our recurring software subscriptions with consumption measurement period durations of less than one year is a reasonable estimate of the annual revenues, given our consistently high retention rate and stability of usage under such subscriptions. ARR resulting from the annualization of recurring contracts with consumption measurement durations of less than one year, as a percentage of total ARR, was 38% and 25% as of March 31, 2021 and 2020, respectively. Within our consumption-measured ARR, the continuous uptake of our E365 subscription offering has introduced daily consumption-measured ARR, representing 27% of total ARR as of March 31, 2021. ARR is inclusive of the ARR of acquired companies as of the date they are acquired. We believe that ARR and ARR growth are important metrics indicating the scale and growth of our business. Furthermore, we believe ARR, considered in connection with our account retention rate and our recurring revenues dollar-based net retention rate, is a leading indicator of revenue growth. Our ARR as of March 31, 2021 was $760,212, calculated using the spot foreign exchange rates as of March 31, 2021.

Our ARR growth rate was favorably impacted from acquisitions by 1% and 2% for the twelve months ended March 31, 2021 and 2020, respectively.

Account retention rate. Our account retention rate for any given twelve-month period is calculated using the average currency exchange rates for the prior period, as follows: the prior period recurring revenues from all accounts with recurring revenues in the current and prior period, divided by total recurring revenues from all accounts during the prior period. Our account retention rate is an important indicator that provides insight into the long-term value of our account relationships and our ability to retain our account base. We believe that our consistent and high account retention rates illustrate our ability to retain and cultivate long-term relationships with our accounts.

Recurring revenues dollar-based net retention rate. Our recurring revenues dollar-based net retention rate is calculated using the average exchange rates for the prior period, as follows: the recurring revenues for the current period, including any growth or reductions from existing accounts, but excluding recurring revenues from any new accounts added during the current period, divided by the total recurring revenues from all accounts during the prior period. A period is defined as any trailing twelve months. We believe our recurring revenues dollar-based net retention rate is a key indicator of our success in growing our revenues within our existing accounts. Given that recurring revenues represented 86% of our total revenues for the twelve months ended March 31, 2021, this metric helps explain our revenue performance as primarily growth into existing accounts. We believe that our consistent and high recurring revenues dollar-based net retention rate illustrates our ability to consistently retain accounts and grow them.

Our calculation of these metrics may not be comparable to other companies with similarly-titled metrics.

Non-GAAP Financial Measures:

In addition to our results determined in accordance with U.S. GAAP, we also use the below non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes.

	Three Months Ended	
	2021	**2020**
Adjusted EBITDA	$ 82,809	$ 57,931
Adjusted Net Income	$ 64,004	$ 43,156

Adjusted EBITDA. We define Adjusted EBITDA as net income adjusted for interest expense, net, provision (benefit) for income taxes, depreciation and amortization, stock-based compensation, acquisition expenses, realignment expenses, other non-operating (income) and expense, net, and (income) loss from investment accounted for using the equity method, net of tax.

Adjusted Net Income. We define Adjusted Net Income as net income adjusted for the following: amortization of purchased intangibles and developed technologies, stock-based compensation, acquisition expenses, realignment expenses, other non-operating income and expense, net, the tax effect of the above adjustments to net income, non-recurring income tax expense and benefit, and (income) loss from investment accounted for using the equity method, net of tax. The tax effect of adjustments to net income is based on the estimated marginal effective tax rates in the jurisdictions impacted by such adjustments.

Adjusted EBITDA and Adjusted Net Income are not presentations made in accordance with U.S. GAAP, and our use of the terms Adjusted EBITDA and Adjusted Net Income may vary from the use of similarly titled measures by others in our industry due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation. We believe the presentation of Adjusted EBITDA and Adjusted Net Income provides useful information to management and investors regarding financial and business trends related to our results of operations and that when non-GAAP financial information is viewed with U.S. GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance. We also use Adjusted EBITDA and Adjusted Net Income to compare our results to those of our competitors and to consistently measure our performance from period to period.

Adjusted EBITDA and Adjusted Net Income should not be considered as alternatives to net income, operating income, or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance. Adjusted EBITDA and Adjusted Net Income have important limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP.

Reconciliation of net income to Adjusted EBITDA:

	Three Months Ended March 31,	
	2021	2020
Net income	$ 57,006	$ 29,669
Interest expense, net	2,319	1,388
Provision (benefit) for income taxes	10,358	7,176
Depreciation and amortization [1]	8,993	8,050
Stock-based compensation [3]	8,913	1,653
Acquisition expenses [4]	9,256	2,275
Realignment expenses [5]	—	(8)
Other (income) expense, net [6]	(14,482)	7,390
Loss from investment accounted for using the equity method, net of tax	446	338
Adjusted EBITDA	$ 82,809	$ 57,931

Reconciliation of net income to Adjusted Net Income:

	Three Months Ended March 31,	
	2021	2020
Net income	$ 57,006	$ 29,669
Non-GAAP adjustments, prior to income taxes:		
Amortization of purchased intangibles and developed technologies [2]	4,683	4,539
Stock-based compensation [3]	8,913	1,653
Acquisition expenses [4]	9,256	2,275
Realignment expenses [5]	—	(8)
Other (income) expense, net [6]	(14,482)	7,390
Total non-GAAP adjustments, prior to income taxes	8,370	15,849
Income tax effect of non-GAAP adjustments	(1,818)	(2,700)
Loss from investment accounted for using the equity method, net of tax	446	338
Adjusted Net Income	$ 64,004	$ 43,156

Further explanation of certain of our adjustments in arriving at Adjusted EBITDA and Adjusted Net Income are as follows:

(1) *Depreciation and amortization*. Depreciation and amortization includes amortization of $1,687 and $964 for the three months ended March 31, 2021 and 2020, respectively, related to certain projects under our Accelerated Commercial Development Program (“ACDP”).

(2) *Amortization of purchased intangibles and developed technologies*. Amortization of purchased intangibles varies in amount and frequency and is significantly impacted by the timing and size of our acquisitions. Amortization of acquisition related developed technologies under our ACDP was $94 and $90 for the three months ended March 31, 2021 and 2020, respectively. Management finds it useful to exclude these non-cash charges from our operating expenses to assist in budgeting, planning, and forecasting future periods. The use of intangible assets and developed technologies contributed to our revenues earned during the periods presented and will also contribute to our revenues in future periods. Amortization of purchased intangible assets and developed technologies will recur in future periods.

(3) *Stock-based compensation*. We exclude certain stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses and management finds it useful to exclude certain non-cash charges to assess the appropriate level of various operating expenses to assist in budgeting, planning, and forecasting future periods. Moreover, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under ASC 718, *Compensation—Stock Compensation*, we believe excluding stock-based compensation expenses allows investors to make meaningful comparisons between our recurring core business results of operations and those of other companies.

(4) *Acquisition expenses*. We incur expenses for professional services rendered in connection with business combinations, which are included in our U.S. GAAP presentation of general and administrative expense. Also included in our acquisition expenses are retention incentives paid to executives of the acquired companies, as well as adjustments related to deferred revenue from acquired companies. We exclude these acquisition expenses when we evaluate our continuing operational performance as we would not have otherwise incurred these expenses in the periods presented as part of our continuing operations. Acquired deferred revenue is recorded on the opening balance sheet at an amount that typically is lower than historical carrying value. The adjustment to acquired deferred revenue has no impact on our business or cash flow, but it does reduce reported U.S. GAAP revenue in the periods following an acquisition. For the three months ended March 31, 2021, $6,716 of our acquisition expenses related to entering into a definitive agreement to acquire Seequent Holdings Limited ("Seequent"). See the section titled "—Subsequent Events After March 31, 2021."

(5) *Realignment expenses*. These expenses are associated with realigning our business strategies to better serve our accounts and to better align resources with the evolving needs of the business. In connection with these actions, we recognize costs related to termination benefits for colleagues whose positions were eliminated. We exclude these charges because they are not reflective of our ongoing business and results of operations. We believe it is useful for investors to understand the effects of these items on our total operating expenses. In the ordinary course of operating our business, we incur severance expenses that are not included in this adjustment.

(6) *Other (income) expense, net*. Primarily consists of foreign exchange (gains) losses of $(792) and $8,781 for the three months ended March 31, 2021 and 2020, respectively. The foreign exchange (gains) losses derive primarily from U.S. Dollar denominated cash and cash equivalents, accounts receivable, and intercompany balances held by foreign subsidiaries. The gains and losses from such translations are included in *Other income (expense), net* in the consolidated statements of operations. Intercompany finance transactions denominated in U.S. Dollars resulted in unrealized foreign exchange (gains) losses of $(480) and $6,777 for the three months ended March 31, 2021 and 2020, respectively. These U.S. Dollar denominated balances are being translated into their functional currencies at the rates in effect at the balance sheet date and are fully eliminated in consolidation. Other (income) expense, net also includes a gain from the change in fair value of our interest rate swap of $13,661 for the three months ended March 31, 2021. For the three months ended March 31, 2020, other (income) expense, net also includes a gain from the change in fair value of acquisition contingent consideration of $1,390. We exclude these charges because they are not reflective of ongoing business and results of operations. We believe it is useful for investors to understand the effects of these items on our total operating expenses.

Key Factors Impacting Comparability and Performance:

Highlights for the three months ended March 31, 2021. In addition to our performance previously discussed in "—Key Business Metrics" and "—Non-GAAP Financial Measures," and as discussed further below in "—Results of Operations" and "—Liquidity and Capital Resources," our consolidated financial statements for the three months ended March 31, 2021 were impacted by the following:

- On January 25, 2021, we entered into the Second Amendment to the Amended and Restated Credit Agreement dated December 19, 2017, which increased the senior secured revolving loan facility from $500,000 to $850,000 and extended the maturity date from December 18, 2022 to November 15, 2025 (the "Credit Facility"). We performed an extinguishment versus modification assessment on a lender-by-lender basis resulting in the write-off of unamortized debt issuance costs of $353 and the capitalization of fees paid to lenders and third parties of $3,577. Debt issuance costs are amortized to interest expense through the maturity date of November 15, 2025;

- On January 26, 2021, we completed a private offering of $690,000 of 0.125% convertible senior notes due 2026 (the "2026 Notes"). We incurred $18,055 of expenses in connection with the 2026 Notes offering consisting of the payment of initial purchasers' discounts and commissions, professional fees, and other expenses ("transaction costs"). Transaction costs were recorded as a direct deduction from the related debt liability in the consolidated balance sheet and are amortized to interest expense using the effective interest method over the term of the 2026 Notes;

- In connection with the pricing of the 2026 Notes, we entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. The capped call options are expected to reduce potential dilution to our Class B Common Stock upon any conversion of 2026 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. We paid premiums of $25,530 in connection with the capped call options. The capped call options are indexed to our common stock and classified in stockholders' equity. As such, the premiums paid for the capped call options have been included as a net reduction to *Additional paid-in capital* in the consolidated balance sheet;

- On March 11, 2021, we entered into a definitive agreement to acquire Seequent, a leader in software for geological and geophysical modeling, geotechnical stability, and cloud services for geodata management and collaboration, for approximately $900,000 in cash, net of cash acquired and subject to customary adjustments, including for working capital, plus 3,141,361 shares of our Class B Common Stock. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close during the second quarter of 2021. We expect to use readily available cash, including a portion of the net proceeds from the 2026 Notes, and borrowings under our Credit Facility to fund the cash component of the transaction. For the three months ended March 31, 2021, we incurred $6,716 of expenses related to entering into the definitive agreement to acquire Seequent;

- Effective as of the beginning of the fourth quarter of 2020, participants in the Bentley Systems, Incorporated Bonus Pool Plan, as amended and restated, effective as of September 22, 2020 (the "Bonus Plan") may elect to receive any portion, or all, of such participants' non-deferred incentive bonus in the form of shares of fully vested Class B Common Stock instead of cash payments and subject to a combined quarterly limit of $7,500. For the three months ended March 31, 2021, we recorded $6,124 of stock-based compensation expense related to this plan;

- Effective September 22, 2020, our Board and stockholders adopted and approved the Bentley Systems, Incorporated Global Employee Stock Purchase Plan (the "ESPP"). The ESPP will be implemented by means of consecutive offering periods, with the first offering period commencing on the first trading day on or after January 1, 2021 and ending on the last trading day on or before June 30, 2021. For the three months ended March 31, 2021, we recorded $449 of stock-based compensation expense related to this plan; and

- The COVID-19 pandemic has had a modest impact on the usage of our solutions by our users. Throughout 2020 and for the three months ended March 31, 2021, usage rates as compared to comparable periods in the prior year have fluctuated between modest decreases to modest increases. Usage declines have had a minimal impact on our recurring revenues, which are comprised primarily of longer term contracts where short-term usage rate declines do not adversely impact revenues. However, to the extent declines in usage have also occurred within our recurring revenue contracts with shorter term resets, as is the case with our E365 contracts, the usage declines have modestly impacted revenues. Our revenues from perpetual licenses and professional services have also been impacted as certain accounts have shifted spend to subscription solutions or delayed new projects. Overall, while our rate of growth has been impacted, our revenues have continued to grow given the mission critical nature of our solutions. As a precaution in the COVID-19 environment, we actively managed our spending. Actions included efforts to minimize employee travel, and to reduce and recharacterize promotional spending with a shift to virtual events. Although compensation levels and incentive plan payouts have returned to normal for 2021, during 2020 our actions also included curtailment in variable compensation plans to align to COVID-19 pandemic related uncertainties. These actions have resulted in substantial cost savings during the pandemic, which are unlikely to be fully sustainable prospectively.

Impact of foreign currency. A portion of our revenues and operating expenses were derived from outside the United States and as such, were denominated in various foreign currencies, including most significantly: Euros, British Pounds, Australian Dollars, Canadian Dollars, and Chinese Yuan Renminbi. Our financial results are therefore affected by changes in foreign currency rates. In 2020, 43% of our revenues were denominated in various foreign currencies. Correspondingly, in 2020, 47% of our operating expenses were denominated in various foreign currencies. Other than the natural hedge attributable to matching revenues and expenses in the same currencies, we do not currently hedge foreign currency exposure. Accordingly, our results of operations have been, and in the future will be, affected by changes in foreign exchange rates.

We identify the effects of foreign currency on our operations and present constant currency growth rates and fluctuations because we believe exchange rates are an important factor in understanding period to period comparisons and enhance the understanding of our results and evaluation of our performance. In reporting period to period results, we calculate the effects of foreign currency fluctuations and constant currency information by translating current period results using prior period average foreign currency exchange rates. Our definition of constant currency may differ from other companies reporting similarly named measures, and these constant currency performance measures should be viewed in addition to, and not as a substitute for, our operating performance measures calculated in accordance with U.S. GAAP.

Acquisitions. Historically, we have enhanced our business with acquisitions of businesses, software solutions, and technologies. Going forward, we plan to selectively acquire adjacent software solutions that can be sold broadly across our account base, as well as to acquire new technologies that we can leverage across our existing software solution portfolio. We completed three and one acquisitions for the three months ended March 31, 2021 and 2020, respectively.

Impact of COVID-19. In March 2020, the World Health Organization declared a global pandemic related to the rapidly growing outbreak of the disease COVID-19, caused by a novel strain of coronavirus, SARS-CoV-2. The COVID-19 outbreak and certain preventative or protective actions that governments, businesses, and individuals have taken in respect of COVID-19 have resulted in global business disruptions.

In response to the COVID-19 pandemic, we implemented a number of initiatives to ensure the safety of our colleagues and enable them to move to a work from home environment seamlessly and continue working effectively. These initiatives included providing our colleagues with necessary equipment, making certain that all colleagues had means of video and audio communications online, and guaranteeing that our network bandwidth was sufficient. Our business model is such that we had minimal disruption to our ability to deliver our solutions to accounts, and we believe we did not have any significant loss of productivity during this transition. Almost all of our colleagues have been working from home since March 16, 2020, with a minority of our colleagues working in our office environments on a voluntary basis and abiding by appropriate distancing and sanitary regulations for their region. We communicated regularly and provided on-demand learning and support to our colleagues throughout the transition period. During 2020, we periodically surveyed our colleagues and a majority of our colleagues reported confidence in the decisions that Bentley leadership is making regarding employee well-being and safety during this pandemic, and a majority of our colleagues believe that Bentley's response to and communication regarding COVID-19 has been timely and helpful.

The impact of the pandemic on our financial performance has been modest; our revenues have continued to grow given the mission critical nature of our solutions. When compared to levels from the same periods in 2019, our accounts' usage of our applications was down slightly for the months of March and April 2020, showed improvement to be nearly equivalent to past usage during May and June 2020, modestly declined slightly for the months of July through November 2020, and improved to reflect slight usage growth during December 2020 relative to the same period in the prior year. The patterns of modest usage decline initially were observed to follow the geographic spread of the pandemic, but then evolved to follow capital projects within sectors. The modest fluctuations in usage had limited impact on our recurring revenues, which are comprised primarily of longer term contracts. To the extent declines in usage have also occurred within our recurring revenue contracts with shorter term resets, as is the case with our E365 contracts, the usage declines have modestly impacted revenues, notably in those accounts also exposed to capital projects in the industrial and resources sectors, and to a lesser extent, commercial and facilities sectors. The growth of our revenues from perpetual licenses and professional services has been impacted as selected accounts have shifted spend to subscription solutions or delayed new projects. In compared the three months ended March 31, 2021 to the same period in 2020, our accounts' usage of our applications was approximately flat, but trending upward.

During 2020, we were quick to find ways to support our accounts and users, including the launch of a "Bentley Has Your Back" campaign to help our accounts take full advantage of their Bentley software. This campaign included producing over 50 self-help documents, 20 webinars, and several messages guiding users on various topics including how Bentley's solutions should be configured when working with limited bandwidth, how to use a SmartTV as a monitor, and how to leverage specific offerings such as *ProjectWise* to facilitate collaboration in their own businesses in remote working environments. This guidance and assistance was well received by accounts and we believe helped maximize usage during the pandemic.

We have also taken measures to reduce selected operating expenses, including various costs associated with travel and facilities.

Our business benefits from a resilient business model backed by industry tailwinds and a strong financial profile. We believe that significant public and private investment will continue to drive spend for infrastructure globally, which will continue to drive demand for our solutions. Additionally, we do not have any material account concentration; no single account or group of affiliated accounts represented more than 2.5% of our revenues for the year ended December 31, 2020. As of March 31, 2021, we had $569,536 of cash and cash equivalents, and $849,850 was available under our Credit Facility.

Components of Results of Operations:

We manage our business globally within one operating segment, the development and marketing of computer software and related services, which is consistent with how our chief operating decision maker reviews and manages our business.

Revenues:

We generate revenues from subscriptions, perpetual licenses, and professional services.

Subscriptions

SELECT subscriptions: We provide annual recurring subscriptions that accounts can elect to add to a new or previously purchased perpetual license. SELECT provides accounts with benefits, including upgrades, comprehensive technical support, pooled licensing benefits, annual portfolio balancing exchange rights, learning benefits, certain Azure-based cloud collaboration services, mobility advantages, and access to other available benefits. SELECT subscriptions revenues are recognized as distinct performance obligations are satisfied.

Enterprise subscriptions: We provide Enterprise subscription offerings that provides our largest accounts with complete and unlimited global access to our comprehensive portfolio of solutions. ELS provides access for a prepaid annual fee. Our E365 subscription, which was introduced during the fourth quarter of 2018, provides unrestricted access to our comprehensive software portfolio, similar to ELS, however is charged based upon daily usage. E365 subscriptions can contain quarterly usage floors or collars as accounts transition to the usage model or for accounts within the public sector. The daily usage fee also includes a term license component, SELECT maintenance and support, hosting, and Success Plan services, which are designed to achieve business outcomes through more efficient and effective use of our software. The ELS and E365 offerings both contain a distinct term license component. ELS revenue is recognized as the distinct performance obligations are satisfied. E365 revenue is recognized based upon usage incurred by the account.

Term license subscriptions: We provide annual, quarterly, and monthly term licenses for our software products. ATL subscriptions are generally prepaid annually for named user access to specific products. QTL subscriptions allow accounts to pay quarterly in arrears for licenses usage that is beyond their SELECT contracted quantities. MTL subscriptions are identical to QTL subscriptions, except for the term of the license, and the manner in which they are monetized. MTL subscriptions require a CSS, which is described below.

Visas and Passports are quarterly or annual term licenses enabling accounts to access specific project or enterprise information and entitles our users to certain functionality of our *ProjectWise* and *AssetWise* systems. Our standard offerings are usage based with monetization through our CSS program. Annual, quarterly, and monthly term licenses revenues are recognized as the distinct performance obligations for each are satisfied. Billings in advance are recorded as *Deferred revenues* in the consolidated balance sheets. QTL, MTL, Visas and Passports subscriptions are recognized based upon usage incurred by the account.

CSS is a program designed to streamline the procurement, administration, and payment process. The program requires an estimation of annual usage for CSS eligible offerings and a deposit of funds in advance. Actual consumption is monitored and invoiced against the deposit on a calendar quarter basis. CSS balances not utilized for eligible products or services may roll over to future periods or are refundable. Paid and unconsumed CSS balances are recorded in *Accruals and other current liabilities* in the consolidated balance sheets. Software and services consumed under CSS are recognized pursuant to the applicable revenue recognition guidance for the respective software or service and classified as subscriptions or services based on their respective nature.

Perpetual licenses

Perpetual licenses may be sold with or without attaching a SELECT subscription. Historically, attachment and retention of the SELECT subscription has been high given the benefits of the SELECT subscription discussed above. Perpetual licenses revenues are recognized upon delivery of the license to the user.

Services

We provide professional services including training, implementation, configuration, customization, and strategic consulting services. We perform projects on both a time and materials and a fixed fee basis. Our recent and preferred contractual structures for delivering professional services include (i) delivery of services in the form of subscription-like, packaged offerings that are annually recurring in nature, and (ii) delivery of our growing portfolio of Success Plans. Success Plans are standard offerings that offer a level of subscription service above the standard technical support offered to all accounts as part of their SELECT or Enterprise agreement. Revenues are recognized as services are performed.

Headcount-related costs

For the year ended December 31, 2020, 80% of our aggregate cost of revenues, research and development, selling and marketing, and general and administrative costs were represented by what we refer to herein as “headcount-related” costs. These costs include the salary costs of our colleagues (our employees) and the corresponding incentives, benefits, employment taxes, and travel-related costs. Our headcount-related costs are variable in nature. We actively manage these costs to align to our trending run rate of revenue performance, with the objective of enhancing visibility and predictability of resulting operating profit margins.

Cost of subscriptions, licenses, and services

Cost of subscriptions and licenses. Cost of subscriptions and licenses includes salaries and other related costs, including the depreciation of property and equipment and the amortization of capitalized software costs associated with servicing software subscriptions, the amortization of intangible assets associated with acquired software and technology, channel partner compensation for providing sales coverage to subscribers, as well as cloud-related costs incurred for servicing our accounts using cloud deployed hosted solutions and our license administration platform.

Cost of services. Cost of services includes salaries for internal and third-party personnel and related overhead costs, including depreciation of property and equipment, for providing training, implementation, configuration, and customization services to accounts, amortization of capitalized software costs, and related out-of-pocket expenses incurred.

Operating expenses

Research and development. Research and development expenses, which are generally expensed as incurred, primarily consist of personnel and related costs of our research and development staff, including salaries, benefits, bonuses, stock-based compensation, and costs of certain third-party contractors, as well as allocated overhead costs. We expense software development costs, including costs to develop software products or the software component of products to be sold, leased, or marketed to external accounts, before technological feasibility is reached. Technological feasibility is typically reached shortly before the release of such products and as a result, development costs that meet the criteria for capitalization were not material for the periods presented.

We capitalize certain development costs related to certain projects under our ACDP (our structured approach to an in-house business incubator function) once technological feasibility is established. Technological feasibility is established when a detailed program design has been completed and documented; we have established that the necessary skills, hardware, and software technology are available to produce the product; and there are no unresolved high-risk development issues. Once the software is ready for its intended use, amortization is recorded over the software's estimated useful life (generally three years). Total costs capitalized under the ACDP were $1,043 and $2,484 for the three months ended March 31, 2021 and 2020, respectively. Additionally, total ACDP related amortization recorded in *Costs of subscriptions and licenses* was $1,687 and $964 for the three months ended March 31, 2021 and 2020, respectively.

Selling and marketing. Selling and marketing expenses include salaries, benefits, bonuses, and stock-based compensation expense for our selling and marketing colleagues, the expense of travel, entertainment, and training for such personnel, online marketing, product marketing and other brand-building activities, such as advertising, trade shows, and expositions, various sales and promotional programs, and costs of computer equipment and facilities used in selling and marketing activities. We anticipate that we will continue to make strategic investments in our global business systems and methods to enhance major account sales activities and to support our worldwide sales and marketing strategies, and the business in general. We capitalize certain incremental costs of obtaining a contract and recognize these expenses over the period of benefit associated with these costs, resulting in a deferral of certain contract costs each period. The contract costs are amortized based on the economic life of the goods and services to which the contract costs relate. We apply a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include our internal sales force compensation program and certain channel partner sales incentive programs for which the annual compensation is commensurate with annual sales activities.

General and administrative. General and administrative expenses include salaries, bonuses, benefits, and stock-based compensation expense for our finance, human resources, and legal colleagues, the expense of travel, entertainment, and training for such personnel, professional fees for legal and accounting services, and costs of computer equipment and facilities used in general and administrative activities. Following the completion of the IPO, we expect to continue to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a U.S. securities exchange and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC. In addition, as a public company, we expect to incur increased expenses in the areas of insurance, investor relations, and professional services. As a result, we expect the dollar amount of our general and administrative expenses to increase for the foreseeable future. We expect, however, that our general and administrative expenses will decrease as a percentage of our revenues over time, although the percentage may fluctuate from period to period depending on fluctuations in our revenue and the timing and extent of our general and administrative expenses.

Amortization of purchased intangibles. Amortization of purchased intangibles includes the amortization of acquired non-product related intangible assets, primarily customer relationships, trademarks, and non-compete agreements recorded in connection with completed acquisitions.

Interest expense, net. Interest expense, net primarily represents interest associated with the Credit Facility, amortization of deferred debt issuance costs, and interest income from our investments in money market funds.

Other income (expense), net. Other income (expense), net primarily consists of foreign currency translation results derived primarily from U.S. Dollar denominated cash and cash equivalents, accounts receivable, and intercompany balances held by foreign subsidiaries with non-U.S. Dollar functional currencies.

(Provision) benefit for income taxes. (Provision) benefit for income taxes includes the aggregate consolidated income tax expense for U.S. domestic and foreign income taxes.

Loss from investment accounted for using the equity method, net of tax. Loss from investment accounted for using the equity method includes our proportional share of loss in a joint venture.

Results of operations:

The following table sets forth selected consolidated statements of operations data for each of the periods indicated:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenues:		
Subscriptions	$ 188,125	$ 170,182
Perpetual licenses	10,116	10,814
Subscriptions and licenses	198,241	180,996
Services	23,764	13,694
Total revenues	222,005	194,690
Cost of revenues:		
Cost of subscriptions and licenses	28,945	21,327
Cost of services	20,344	15,932
Total cost of revenues	49,289	37,259
Gross profit	172,716	157,431
Operating expenses:		
Research and development	47,803	45,135
Selling and marketing	32,440	36,095
General and administrative	33,388	26,804
Amortization of purchased intangibles	3,438	3,436
Expenses associated with initial public offering	—	—
Total operating expenses	117,069	111,470
Income from operations	55,647	45,961
Interest expense, net	(2,319)	(1,388)
Other income (expense), net	14,482	(7,390)
Income before income taxes	67,810	37,183
Provision for income taxes	(10,358)	(7,176)
Loss from investment accounted for using the equity method, net of tax	(446)	(338)
Net income	57,006	29,669
Less: Net income attributable to participating securities	—	—
Net income attributable to Class A and Class B common stockholders	$ 57,006	$ 29,669
Per share information:		
Net income per share, basic	$ 0.19	$ 0.10
Net income per share, diluted	$ 0.18	$ 0.10
Weighted average shares, basic	302,583,452	285,486,972
Weighted average shares, diluted	321,736,649	292,378,627

In reporting period-over-period results, we calculate the effects of foreign currency fluctuations and constant currency information by translating current period results using prior period average foreign currency exchange rates. Our definition of constant currency may differ from other companies reporting similarly named measures, and these constant currency performance measures should be viewed in addition to, and not as a substitute for, our operating performance measures calculated in accordance with U.S. GAAP.

Comparison of the Three Months Ended March 31, 2021 and 2020

Revenues

	Three Months Ended March 31,		Comparison		
	2021	2020	Amount	%	Constant Currency %
Revenues:					
Subscriptions	$ 188,125	$ 170,182	$ 17,943	10.5 %	6.1 %
Perpetual licenses	10,116	10,814	(698)	(6.5)%	(11.3)%
Subscriptions and licenses	198,241	180,996	17,245	9.5 %	5.1 %
Services	23,764	13,694	10,070	73.5 %	66.3 %
Total revenues	$ 222,005	$ 194,690	$ 27,315	14.0 %	9.4 %

Total revenues increased by $27,315, or 14.0%, to $222,005 for the three months ended March 31, 2021. This increase was primarily driven by improvements in our organic performance in subscription revenues, the impact from acquisitions in services revenues, and the overall positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our revenues increased by 9.4% for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

- *Subscriptions*. For the three months ended March 31, 2021, subscriptions revenues increased by $17,943, or 10.5%, as compared to the three months ended March 31, 2020. This increase was driven primarily by improvements in our organic performance and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our subscriptions revenues increased by 6.1% for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

  Our growth in subscriptions is primarily due to expansion within our existing accounts and growth of 3% attributable to new accounts, most notability small and medium sized accounts. Our organic performance expansion for the three months ended March 31, 2021 was led by our *ProjectWise*, Asset and Network Performance, civil design, and geotechnical products.

- *Perpetual licenses*. For the three months ended March 31, 2021, perpetual licenses revenues decreased by $698, or 6.5%, as compared to the three months ended March 31, 2020. This decrease was driven by a reduction in our organic performance and partially offset by the impact of positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our perpetual licenses revenues decreased by 11.3% for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

  We observed a decrease in perpetual licenses organic performance for the three months ended March 31, 2021 as certain accounts delayed purchase decisions due to COVID-19 or shifted spend to subscription solutions.

- *Services.* For the three months ended March 31, 2021, services revenues increased by $10,070, or 73.5%, as compared to the three months ended March 31, 2020. This increase was driven primarily by the impact from acquisitions of $9,868, as well as the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our services revenues increased by 66.3% for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

  For the three months ended March 31, 2021, the acquisition impact is related to several digital integrator businesses acquired throughout 2020. Organic performance continued to be impacted by COVID-19 related delays in new projects and the partial redeployment of our services colleagues to support Success Plan services of our E365 subscription offering.

Revenues by Geographic Area

Revenues are allocated to individual countries based upon the location of the users. Revenues by geographic area are as follows:

	Three Months Ended March 31,		Comparison		
	2021	2020	Amount	%	Constant Currency %
Revenues by geographic area:					
Americas	$ 108,862	$ 97,900	$ 10,962	11.2 %	10.1 %
EMEA	73,848	62,114	11,734	18.9 %	10.3 %
APAC	39,295	34,676	4,619	13.3 %	5.8 %
Total revenues by geographic area	$ 222,005	$ 194,690	$ 27,315	14.0 %	9.4 %

- *Americas.* For the three months ended March 31, 2021, revenues from the Americas increased by $10,962, or 11.2%, as compared to the three months ended March 31, 2020. This increase was driven primarily by improvements in our organic performance, the impact from acquisitions and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our revenues from the Americas increased by 10.1% for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

  The constant currency growth in the Americas primarily reflects growth in recurring subscription revenues from our existing accounts in the United States, and growth in services revenues resulting from the acquisition of a digital integrator business in the United States in 2020.

- *EMEA.* For the three months ended March 31, 2021, revenues from EMEA increased by $11,734, or 18.9%, as compared to the three months ended March 31, 2020. On a constant currency basis, our revenues from EMEA increased by 10.3% for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. The positive foreign currency effects were due to a weaker U.S. Dollar relative to our other functional currencies.

  The constant currency growth includes modest organic growth in subscription revenues led by Russia, with a notable partially offsetting reduction in the Middle East. Constant currency growth more prominently reflects growth in services revenues from the 2020 acquisitions of two digital integrator businesses in Europe.

- *APAC*. For the three months ended March 31, 2021, revenues from APAC increased by $4,619, or 13.3%, as compared to the three months ended March 31, 2020. This increase was driven by improvements in our organic performance and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our revenues from APAC increased by 5.8% for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

  For the three months ended March 31, 2021, the constant currency growth was primarily due to expansion of our recurring subscription revenues from accounts in China.

Cost of Revenues

	Three Months Ended March 31,		Comparison		
	2021	**2020**	**Amount**	**%**	**Constant Currency %**
Cost of subscriptions and licenses	$ 28,945	$ 21,327	$ 7,618	35.7 %	31.2 %
Cost of services	20,344	15,932	4,412	27.7 %	21.4 %
Total cost of revenues	$ 49,289	$ 37,259	$ 12,030	32.3 %	27.0 %

For the three months ended March 31, 2021, cost of revenues increased by $12,030, or 32.3%, to $49,289. This increase was driven by an increase in both cost of subscriptions and licenses and cost of services relative to the prior period. On a constant currency basis, total cost of revenues increased by 27.0% for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

For the three months ended March 31, 2021, cost of subscriptions and licenses increased 35.7%, or 31.2% in constant currency, as compared to the three months ended March 31, 2020. On a constant currency basis, this increase was primarily due to an increase in headcount-related costs of approximately $4,600.

For the three months ended March 31, 2021, cost of services increased by 27.7%, or 21.4% in constant currency, as compared to the three months ended March 31, 2020. On a constant currency basis, the increase was primarily due to an increase in headcount-related costs of approximately $3,100.

Operating Expenses

	Three Months Ended March 31,				Comparison				
	2021		2020		Amount		%	Constant Currency %
Research and development	$	47,803	$	45,135	$	2,668	5.9 %	2.4 %
Selling and marketing		32,440		36,095		(3,655)	(10.1)%	(13.5)%
General and administrative		33,388		26,804		6,584	24.6 %	23.1 %
Amortization of purchased intangibles		3,438		3,436		2	0.1 %	(5.3)%
Total operating expenses	$	117,069	$	111,470	$	5,599	5.0 %	2.0 %

Research and development. For the three months ended March 31, 2021, research and development expenses increased 5.9%, or 2.4% in constant currency, as compared to the three months ended March 31, 2020. On a constant currency basis, the increase was primarily due to an increase in stock-based compensation expense of approximately $3,300 and an increase in headcount-related costs, excluding stock-based compensation expense, of approximately $2,600, partially offset by a decrease in Bonus Plan related cash compensation of approximately $4,400 due to the change in our Bonus Plan (see Note 11 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q), which allows participants within certain limitations to elect share delivery instead of cash compensation for their non-deferred incentive bonuses. In the comparative period, non-deferred incentive bonuses earned under the Bonus Plan were paid in cash.

Selling and marketing. For the three months ended March 31, 2021, selling and marketing expenses decreased 10.1%, or 13.5% in constant currency, as compared to the three months ended March 31, 2020. On a constant currency basis, this decrease was primarily due to a decrease in headcount-related costs of approximately $3,500 due to COVID-19 related modification to employee travel and a reduction in variable compensation expenses.

General and administrative. For the three months ended March 31, 2021, general and administrative expenses increased 24.6%, or 23.1% in constant currency, as compared to the three months ended March 31, 2020. On a constant currency basis, the increase was primarily due to an increase in stock-based compensation expense of approximately $3,800 and an increase in acquisition and integration costs and other corporate initiatives of $5,500, primarily due to expenses related to entering into the definitive agreement to acquire Seequent, partially offset by a decrease in headcount-related costs, excluding stock-based compensation expense, of approximately $500 and a decrease of approximately $2,300 in Bonus Plan related cash compensation due to the change in our Bonus Plan as described above.

Amortization of purchased intangibles. For the three months ended March 31, 2021, amortization of purchased intangibles increased by 0.1%, but decreased by 5.3% in constant currency, as compared to the three months ended March 31, 2020. On a constant currency basis, the decrease was primarily attributable to previously acquired purchased intangibles which continue to become fully amortized, partially offset by amortization from recently acquired purchased intangibles.

Interest Expense, Net

	Three Months Ended March 31,	
	2021	2020
Interest expense	$ (2,401)	$ (1,690)
Interest income	82	302
Interest expense, net	$ (2,319)	$ (1,388)

	Three Months Ended March 31,	
	2021	2020
Bank credit facility	$ (729)	$ (1,540)
Interest rate swap	(301)	—
2026 Notes	(154)	—
Amortization and write-off of deferred debt issuance costs	(1,229)	(138)
Other, net	94	290
Interest expense, net	$ (2,319)	$ (1,388)

For the three months ended March 31, 2021, interest expense, net increased from the three months ended March 31, 2020 primarily due to the increase in amortization and write-off of deferred debt issuance costs in connection with the Second Amendment to the Credit Facility and, to a lesser extent, interest expense related to the interest rate swap, partially offset by a lower outstanding average balance under the Credit Facility.

Other Income (Expense), Net

	Three Months Ended March 31,	
	2021	2020
Foreign exchange gain (loss)	$ 792	$ (8,781)
Other income (expense), net	13,690	1,391
Total other income (expense), net	$ 14,482	$ (7,390)

For the three months ended March 31, 2021 and 2020, other income (expense), net consists of foreign exchange gain (loss) of $792 and $(8,781), respectively. The foreign exchange gain (loss) derives primarily from U.S. Dollar denominated cash and cash equivalents, accounts receivable, and intercompany balances held by foreign subsidiaries. For the three months ended March 31, 2021 and 2020, intercompany finance transactions denominated in U.S. Dollars resulted in unrealized foreign exchange gains (losses) of $480 and $(6,777), respectively.

For the three months ended March 31, 2021, other income (expense), net includes a gain from the change in fair value of our interest rate swap of $13,661. For the three months ended March 31, 2020, other income (expense), net includes a gain from the change in fair value of acquisition contingent consideration.

(Provision) Benefit for Income Taxes

The income tax provisions for the three months ended March 31, 2021 and 2020 were based on the estimated annual effective income tax rates adjusted for discrete items occurring during the periods presented. For the three months ended March 31, 2021 and 2020, we recognized an aggregate consolidated income tax expense of $10,358 and $7,176, respectively, for U.S. domestic and foreign income taxes. For the three months ended March 31, 2021 and 2020, we recorded a discrete tax benefit of $7,485 and $1,142, respectively, associated with stock-based compensation. The effective income tax rate of 15.3% for the three months ended March 31, 2021 was lower than the effective income tax rate of 19.3% for the three months ended March 31, 2020 primarily due to the tax benefit associated with stock-based compensation, partially offset by the impact from officer compensation limitation provisions.

Net Income

	Three Months Ended March 31,	
	2021	**2020**
Net income	$ 57,006	$ 29,669

For the three months ended March 31, 2021, net income increased by $27,337, or 92.1%, compared to the three months ended March 31, 2020. The changes are due to the factors stated above.

Adjusted EBITDA and Adjusted Net Income

	Three Months Ended March 31,	
	2021	**2020**
Adjusted EBITDA	$ 82,809	$ 57,931
Adjusted Net Income	$ 64,004	$ 43,156

For the three months ended March 31, 2021, Adjusted EBITDA increased by $24,878 compared to the three months ended March 31, 2020. For the three months ended March 31, 2021 and 2020, Adjusted EBITDA as a percentage of revenue was 37.3% and 29.8%, respectively.

For the three months ended March 31, 2021, Adjusted Net Income increased by $20,848 compared to the three months ended March 31, 2020. For the three months ended March 31, 2021 and 2020, Adjusted Net Income as a percentage of revenue was 28.8% and 22.2%, respectively.

For additional information, including the limitations of using non-GAAP financial measures, and reconciliations of the non-GAAP financial measures to the most directly comparable financial measures stated in accordance with U.S. GAAP, see the section titled "—Non-GAAP Financial Measures."

Liquidity and Capital Resources:

Our primary source of cash is generated from the delivery of subscriptions, perpetual licenses, and services. Our primary use of cash is payment of our operating costs, which consist primarily of colleague-related expenses, such as compensation and benefits, as well as general operating expenses for marketing, facilities, and overhead costs. In addition to operating expenses, we also use cash to fund growth initiatives, which include acquisitions of software assets and businesses.

Our cash and cash equivalent balances are concentrated in a few locations around the world, with substantial amounts held outside of the United States. As of March 31, 2021 and December 31, 2020, 25% and 94%, respectively, of our total cash and cash equivalents were located outside of the United States. Under the U.S. Tax Cuts and Jobs Act (the "JOBS Act"), we are subject to U.S. taxes for the deemed repatriation of certain cash balances held by foreign corporations. We intend to continue to permanently reinvest these funds outside of the United States and current plans do not demonstrate a need to repatriate them to fund our U.S. operations. We expect to meet our U.S. liquidity needs through ongoing cash flows or external borrowings including available liquidity under the Credit Facility described below. We regularly review our capital structure and consider a variety of potential financing alternatives and planning strategies to ensure that we have the proper liquidity available in the locations in which it is needed and to fund our operations and growth investments with cash that has not been permanently reinvested outside the United States.

We believe that existing cash and cash equivalent balances, together with cash generated from operations, and liquidity under the Credit Facility, will be sufficient to meet our domestic and international working capital and capital expenditure requirements through the next twelve months. However, our future capital requirements may be materially different than those currently planned in our budgeting and forecasting activities and depend on many factors, including our rate of revenue growth, the timing and extent of spending on research and development, the expansion of our sales and marketing activities, the timing of new product introductions, currency fluctuations, market acceptance of our products, competitive factors, and overall economic conditions, globally. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders, while the incurrence of debt financing, including convertible debt, would result in debt service obligations. Such debt instruments also could introduce covenants that might restrict our operations. We cannot assure you that we could obtain additional financing on favorable terms or at all.

Cash and cash equivalents. We consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Our cash and cash equivalents consisted of cash held in checking accounts and money market funds maintained at various financial institutions. The following table presents our foreign and domestic holdings of cash and cash equivalents:

	March 31,	
	2021	2020
Cash and cash equivalents:		
Held domestically	$ 426,853	$ 7,861
Held by foreign subsidiaries	142,683	114,145
Total cash and cash equivalents	$ 569,536	$ 122,006

The amount of cash and cash equivalents held by foreign subsidiaries is subject to translation adjustments caused by changes in foreign currency exchange rates as of the end of each respective reporting period, the offset to which is recorded in *Accumulated other comprehensive loss* on our consolidated balance sheets.

Bank Credit Facility. On January 25, 2021, we entered into the Second Amendment to the Amended and Restated Credit Agreement dated December 19, 2017, which increased the senior secured revolving loan facility from $500,000 to $850,000 and extended the maturity date from December 18, 2022 to November 15, 2025. In connection with the Second Amendment, certain lenders exited the Credit Facility. We performed an extinguishment versus modification assessment on a lender-by-lender basis resulting in the write-off of unamortized debt issuance costs of $353 and the capitalization of fees paid to lenders and third parties of $3,577. Debt issuance costs are amortized to interest expense through the maturity date of November 15, 2025.

In addition to the senior secured revolving loan facility, the Credit Facility also provides up to $50,000 of letters of credit and other incremental borrowings subject to availability, including a $85,000 multi-currency swing-line sub-facility and a $200,000 incremental “accordion” sub-facility. We had $150 of letters of credit and surety bonds outstanding as of March 31, 2021 and December 31, 2020. As of March 31, 2021 and December 31, 2020, we had $849,850 and $253,850 available under the Credit Facility.

Under the Credit Facility, we may make either Euro currency or non-Euro currency interest rate elections. Interest on the Euro currency borrowings is at the one-month LIBOR plus a spread ranging from 125 basis points (“bps”) to 225 bps as determined by our net leverage ratio. Under the non-Euro currency elections, Credit Facility borrowings bear a base interest rate of the highest of (i) the prime rate, (ii) the overnight bank funding effective rate plus 50 bps, or (iii) LIBOR plus 100 bps, plus a spread ranging from 25 bps to 125 bps as determined by our leverage ratio. In addition, a commitment fee for the unused Credit Facility ranges from 20 bps to 30 bps as determined by our net leverage ratio.

Borrowings under the Credit Facility are guaranteed by all of our first tier domestic subsidiaries and are secured by a first priority security interest in substantially all of our and the guarantors’ U.S. assets and 65% of the stock of their directly owned foreign subsidiaries. The Credit Facility contains both affirmative and negative covenants, including maximum leverage ratios. As of March 31, 2021 and December 31, 2020, we were in compliance with all covenants in our Credit Facility debt agreements.

Interest rate risk associated with the Credit Facility is managed through an interest rate swap which we executed on March 31, 2020. The swap has an effective date of April 2, 2020 and a termination date of April 2, 2030. Under the terms of the swap, we fixed our LIBOR borrowing rate at 0.73% on a notional amount of $200,000. The interest rate swap is not designated as a hedging instrument for accounting purposes. We account for the swap as either an asset or a liability on the consolidated balance sheet and carry the derivative at fair value. Gains and losses from the change in fair value are recognized in *Other income (expense), net*, in the consolidated statements of operations. As of March 31, 2021 and December 31, 2020, we recorded a swap related asset at fair value of $14,011 and $347, respectively, in *Other assets* in the consolidated balance sheets.

The weighted average interest rate under the Credit Facility was 1.90% and 2.59% for the three months ended March 31, 2021 and 2020, respectively. Interest expense recognized for the Credit Facility was $729 and $1,540 for the three months ended March 31, 2021 and 2020, respectively. In addition, we recorded amortization of deferred debt issuance costs for the Credit Facility in interest expense of $575 and $138 for the three months ended March 31, 2021 and 2020, respectively.

The agreement governing the Credit Facility contains customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenants defaults, cross-defaults to certain other indebtedness in excess of $50,000, certain events of bankruptcy and insolvency, judgment defaults in excess of $10,000, failure of any security document supporting the Credit Facility to be in full force and effect, and a change of control.

Voluntary prepayments of amounts outstanding under the Credit Facility, in whole or in part, are permitted at any time, so long as we give notice as required by the Credit Facility. However, if prepayment is made with respect to a LIBOR-based loan and the prepayment is made on a date other than an interest payment date, we must pay customary breakage costs.

Convertible Notes. On January 26, 2021, we completed a private offering of $690,000 of 0.125% convertible senior notes due 2026. Interest will accrue from January 26, 2021 and will be payable semi-annually in arrears in cash on January 15 and July 15 of each year, with the first payment due on July 15, 2021. The 2026 Notes will mature on January 15, 2026, unless earlier converted, redeemed or repurchased. We incurred $18,055 of expenses in connection with the 2026 Notes offering consisting of the payment of transaction costs. We used $25,530 of the net proceeds from the sale of the 2026 Notes to pay the premiums of the capped call options described further below, and approximately $250,500 to repay outstanding indebtedness under the Credit Facility and to pay related fees and expenses. We intend to use the remainder of the net proceeds from the sale of the 2026 Notes for general corporate purposes and towards funding the acquisition of Seequent. See the section titled "—Subsequent Events After March 31, 2021" below.

Prior to October 15, 2025, the 2026 Notes will be convertible at the option of the holder only under the following circumstances: (1) during any calendar quarter (and only during such quarter) commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per share of our Class B Common Stock exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any ten consecutive trading day period (such ten consecutive trading day period, the "measurement period") in which the trading price per $1 principal amount of 2026 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of our Class B Common Stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on our Class B Common Stock, as described in the Indenture; and (4) if we call the 2026 Notes for redemption. On or after October 15, 2025 until 5:00 p.m., New York City time, on the second scheduled trading day immediately before the maturity date, the 2026 Notes will be convertible at the option of the holder at any time.

We will settle conversions by paying or delivering, as applicable, cash, shares of our Class B Common Stock or a combination of cash and shares of our Class B Common Stock, at our election, based on the applicable conversion rate. The initial conversion rate is 15.5925 shares of our Class B Common Stock per $1 principal amount of 2026 Notes, which represents an initial conversion price of approximately $64.13 per share, and is subject to adjustment as described in the Indenture. If a "make-whole fundamental change" (as defined in the Indenture) occurs, then we will, in certain circumstances, increase the conversion rate for a specified period of time.

We will have the option to redeem the 2026 Notes in whole or in part at any time on or after January 20, 2024 and on or before the 40th scheduled trading day immediately before the maturity date if the last reported sale price per share of our Class B common stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during any 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related redemption notice; and (2) the trading day immediately before the date we send such notice. The redemption price will be equal to the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Upon a fundamental change (as defined in the Indenture), holders may, subject to certain exceptions, require us to purchase their 2026 Notes in whole or in part for cash at a price equal to the principal amount of the 2026 Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date (as defined in the Indenture). In addition, upon a Make-Whole Fundamental Change (as defined in the Indenture), we will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its 2026 Notes in connection with such Make-Whole Fundamental Change. No adjustment to the conversion rate will be made if the stock price in such Make-Whole Fundamental Change is either less than $44.23 per share or greater than $210.00 per share. We will not increase the conversion rate to an amount that exceeds 22.6090 shares per $1 principal amount of 2026 Notes, subject to adjustment. The Indenture also contains a customary merger covenant.

Under the Indenture, the 2026 Notes may be accelerated upon the occurrence of certain customary events of default. If certain bankruptcy and insolvency-related events of default with respect to us occur, the principal of, and accrued and unpaid interest on, all of the then outstanding 2026 Notes shall automatically become due and payable. If any other event of default occurs and is continuing, the Trustee by notice to us, or the holders of the 2026 Notes of at least 25% in principal amount of the outstanding 2026 Notes by notice to us and the Trustee, may declare the principal of, and accrued and unpaid interest on, all of the then outstanding 2026 Notes to be due and payable. Notwithstanding the foregoing, the Indenture provides that, to the extent we elect, the sole remedy for an event of default relating to certain failures by us to comply with reporting covenant in the Indenture consists exclusively of the right to receive additional interest on the 2026 Notes.

As of March 31, 2021, none of the conditions of the 2026 Notes to early convert have been met.

The 2026 Notes are our senior, unsecured obligations that rank senior in right of payment to our future indebtedness that is expressly subordinated to the 2026 Notes, rank equally in right of payment with our future senior unsecured indebtedness that is not so subordinated, effectively subordinated to our existing and future secured indebtedness (including obligations under our senior secured credit facilities), to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables and preferred equity (to the extent we are not a holder thereof)) of our subsidiaries. The 2026 Notes contain both affirmative and negative covenants. As of March 31, 2021, we were in compliance with all covenants in the 2026 Notes.

Capped Call Options. In connection with the pricing of the 2026 Notes, we entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. We incurred $150 of expenses in connection with the capped call options. The capped call options are expected to reduce potential dilution to our Class B Common Stock upon any conversion of 2026 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the capped call options is $72.9795 per share, which represents a premium of 65% above the last reported sale price per share of our Class B Common Stock on the Nasdaq Global Select Market on January 21, 2021 and is subject to customary adjustments under the terms of the capped call options.

Comparison of the Three Months Ended March 31, 2021 and 2020

The following table summarizes our cash flow activities for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	**2020**
Net Cash Provided By (Used In):		
Operating activities	$ 132,798	$ 72,612
Investing activities	(60,630)	(45,243)
Financing activities	372,137	(85,888)

Operating activities

Net cash provided by operating activities was $132,798 for the three months ended March 31, 2021. Compared to the same period in the prior year, net cash from operating activities was higher by $60,186 due to an increase in net income of $27,337 and an increase in net cash flows from the change in operating assets and liabilities of $42,715. The net increase in cash flows from changes in operating assets and liabilities was primarily due to an increase in accounts payable, accruals and other liabilities primarily related to the increase in CSS deposits. Partially offsetting these increases in net cash provided by operating activities was a net decrease in non-cash adjustments of $9,866 primarily related to a gain from the change in fair value of our interest rate swap and an increase related to foreign currency remeasurement gains, partially offset by an increase in stock-based compensation expense.

For the three months ended March 31, 2020, net cash provided by operating activities was $72,612 due to net income of $29,669 increased by $17,936 of non-cash adjustments and $25,007 from changes in operating assets and liabilities.

Investing activities

Net cash used in investing activities was $60,630 for the three months ended March 31, 2021, primarily due to $2,655 related to purchases of property and equipment and investment in capitalized software and $57,975 in acquisition related payments, net of cash acquired.

For the three months ended March 31, 2020, net cash used in investing activities was $45,243, primarily due to $4,500 related to purchases of property and equipment and investment in capitalized software and $39,329 in acquisition related payments, net of cash acquired.

Financing activities

Net cash provided by financing activities was $372,137 for the three months ended March 31, 2021. Compared to the prior year comparative period, net cash provided by financing activities increased by $458,025, primarily due to the net proceeds from the 2026 Notes of $672,750, partially offset by a decrease in net borrowings of $171,282 under the Credit Facility, the purchase of capped call options of $25,530, payments of debt issuance costs of $3,777, and an increase in net payments for shares acquired of $14,845.

For the three months ended March 31, 2020, net cash used in financing activities was $85,888, primarily due to net payments under the Credit Facility of $74,718, payments of dividends of $7,802, and net payments for shares acquired of $3,918.

Subsequent Events After March 31, 2021

Acquisitions. In April 2021, we completed two acquisitions and entered into a definitive agreement to acquire a third company totaling approximately $54,200 in cash, net of cash acquired and subject to customary adjustments, including for working capital. The third acquisition is expected to close during May 2021. The acquisitions are not expected to be material to our consolidated statements of operations and financial position.

On March 11, 2021, we entered into a definitive agreement to acquire Seequent, a leader in software for geological and geophysical modeling, geotechnical stability, and cloud services for geodata management and collaboration, for approximately $900,000 in cash, net of cash acquired and subject to customary adjustments, including for working capital, plus 3,141,361 shares of our Class B Common Stock. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close during the second quarter of 2021. We expect to use readily available cash, including a portion of the net proceeds from the 2026 Notes, and borrowings under our Credit Facility to fund the cash component of the transaction. For the three months ended March 31, 2021, we incurred $6,716 of expenses related to entering into the definitive agreement to acquire Seequent.

Contractual Obligations and Other Commitments:

As noted above, on January 26, 2021, we completed the 2026 Notes private offering. See Note 10 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. As a result of a net increase in long-term debt, our obligation for interest on long-term debt will also increase.

As noted above, subsequent to March 31, 2021 and through the filing date of this Quarterly Report on Form 10-Q, we committed approximately $954,200 in cash, net of cash acquired and subject to customary adjustments, including for working capital, plus 3,141,361 shares of our Class B Common Stock for four acquisitions. See Note 4 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We expect to use readily available cash, including a portion of the net proceeds from the 2026 Notes, and borrowings under our Credit Facility to fund the cash component of these transactions.

There have been no other material changes to our contractual obligations and other commitments as disclosed in Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2020 Annual Report on Form 10-K on file with the SEC.

Emerging Growth Company:

Section 107 of the JOBS Act provides that an "emerging growth company" can use the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, as amended by Section 102(b)(1) of the JOBS Act, for complying with new or revised accounting standards. This permits an "emerging growth company" to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards would otherwise apply to private companies. We have elected to use the extended transition period provided in Section 7(a)(2)(B) for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an "emerging growth company" or (ii) affirmatively and irrevocably opt out of the extended transition period provided in Section 7(a)(2)(B). As a result, our consolidated financial statements may not be comparable to those of companies that comply with public company effective dates. We expect that we will no longer qualify as an emerging growth company as of December 31, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our market risk exposure as described in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2020 Annual Report on Form 10-K on file with the SEC other than the following:

Interest rate risk. The fair value of our 2026 Notes is subject to interest rate risk, market risk, and other factors due to the conversion feature. The capped call that was entered into concurrently with the issuance of our 2026 Notes were completed to reduce the potential dilution from the conversion of the 2026 Notes. The fair value of the 2026 Notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the 2026 Notes will generally increase as our Class B Common Stock price increases and will generally decrease as the common stock price declines. The interest and market value changes affect the fair value of the 2026 Notes, but do not impact our financial position, results of operations, or cash flows due to the fixed nature of the debt obligation.

The Second Amendment to the Credit Facility did not change our *Interest rate risk* disclosure related to the Credit Facility included in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2020 Annual Report on Form 10-K on file with the SEC.

Item 4. Controls and Procedures

Evaluation of Effectiveness of Disclosure Controls and Procedures

Our management maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is processed, recorded, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), as appropriate, to allow for timely decisions regarding required disclosure.

We evaluated, under the supervision and with the participation of management, including our principal executive and principal financial officers, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a or 15d of the Exchange Act that occurred during the quarter ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact in our internal control over financial reporting despite our employees working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 pandemic on our internal controls including changes to their design and operating effectiveness.

Inherent Limitations on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject from time to time to various legal proceedings and claims which arise in the ordinary course of our business. Although the outcome of these and other claims cannot be predicted with certainty, we do not believe that the ultimate resolution of pending matters will have a material adverse effect on our financial condition, results of operations, or cash flows. We currently believe that we do not have any material litigation pending against us.

See Note 18 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the risk factors described in Part I. Item 1A. Risk Factors in our 2020 Annual Report on Form 10-K on file with the SEC, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Equity Securities

From January 1, 2021 to March 31, 2021, we issued 31,401 shares of our Class B Common Stock pursuant to the vesting of restricted stock awards and restricted stock units.

From January 1, 2021 to March 31, 2021, we issued 339,503 shares of our Class B Common Stock in connection with distributions from our amended and restated Bentley Systems, Incorporated Nonqualified Deferred Compensation Plan.

The offers, sales, and issuances of these securities were exempt from registration under the Securities Act in reliance upon Rule 701 promulgated under the Securities Act as transactions under compensatory benefit plans and contracts relating to compensation in compliance with Rule 701 or in reliance upon Section 4(a)(2) of the Securities Act as transactions by an issuer not involving any public offering. None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. The issuances of these securities were made without any general solicitation or advertising.

Item 6. Exhibits

Exhibit Number	Description
10.1*+	Side Letter Agreement, dated as of March 11, 2021, by and among Bentley Systems, Incorporated, Seequent Holdings Limited and the Sellers named therein
10.2*	Amendment to Side Letter Agreement, dated as of March 11, 2021, by and between Bentley Systems, Incorporated and Accel-KKR Capital Partners V, LP
31.1*	Certification of CEO pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of CFO pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1*	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover page formatted as Inline XBRL and contained in Exhibit 101

* Filed or furnished herewith. The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the U.S. Securities and Exchange Commission and is not to be incorporated by reference into any filing of Bentley Systems, Incorporated under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

\+ Certain portions of this exhibit have been omitted.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Bentley Systems, Incorporated

Date: May 11, 2021

By: /s/ DAVID J. HOLLISTER
David J. Hollister
Chief Financial Officer

Exhibit 10.1

[***] A portion of this exhibit has been redacted pursuant to Item 601(b)(2) of Regulation S-K as (i) not material and (ii) likely to cause competitive harm if publicly disclosed. The Company hereby undertakes to furnish unredacted copies of this exhibit upon request by the Securities and Exchange Commission; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for such unredacted copies of this exhibit.

SIDE LETTER AGREEMENT

This Side Letter Agreement (this "**Agreement**") is dated as of March 11, 2021, by and among the shareholders of Seequent Holdings Limited (the "**Company**") that are listed on the signature pages hereto as Sellers (the "**Signing Sellers**") and, following the execution of one or more Deeds of Accession to this Agreement, by any other shareholders of the Company (collectively with the Signing Sellers, the "**Sellers**") and Bentley Systems, Incorporated (the "**Buyer**").

RECITALS

WHEREAS, the Signing Sellers and Buyer have entered into that certain Sale and Purchase Agreement For Shares dated as of the date hereof (as it may be amended, modified or waived from time to time, the "**Purchase Agreement**"), pursuant to which the Buyer has agreed to purchase from the Sellers all of the issued share capital of the Company, following the exercise of all Company options and conversion of all plan shares into ordinary shares of the Company (the "**Company Shares**");

WHEREAS, pursuant to the terms and conditions of the Purchase Agreement, in consideration of the Buyer's purchase of the Company Shares from the Sellers, the Buyer may be obligated to issue shares of the Buyer's Class B common stock, $0.01 par value per share, ("**Buyer's Shares**") to the Sellers;

WHEREAS, the Sellers and the Buyer desire to enter into this Agreement to set forth the terms of their mutual understanding relating to certain rights and obligations of the parties relating to the Buyer's Shares that may be issued to the Sellers pursuant to the terms and conditions of the Purchase Agreement; and

NOW, THEREFORE, in consideration of the foregoing, and the representations, warranties, covenants and conditions set forth below and in the Purchase Agreement, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Definitions**. Capitalized terms used but not otherwise defined in this Agreement shall have the meanings ascribed to such terms in the Purchase Agreement.

   Bad Leaver Forfeiture Shares means in respect of the Sellers specified below, the following Consideration Shares issued to such Seller at Completion but less (and excluding) all Consideration Shares that are released from restrictions on transfer pursuant to clause 4:

   [***]

   Consideration Shares means a number of Buyer's Shares equal to 3,141,361.

   Exchange Act means the Securities Exchange Act of 1934 (U.S.).

Lock-up Period means:

(a) in respect of a Seller that is not a Management Seller:

(i) the period from the Completion Date to 1 October 2021 (“**First Lock-up Date”**) in respect of 100% of its Consideration Shares; and

(ii) the period from the First Lock-up Date to 31 March 2022 (“**Second Lock-up Date”**) in respect of 50% of its Consideration Shares,

and for the avoidance of doubt, the Lock-up Period for a Seller that is not a Management Seller expires on the Second Lock-up Date; and

(b) in respect of a Management Seller:

(i) the period from the Completion Date to the date that is six months following the Completion Date (“**First Management Lock-up Date”**) in respect of 100% of its Consideration Shares;

(ii) the period from the First Management Lock-up Date to the date that is six months following the First Management Lock-up Date (“**Second Management Lock-up Date”**) in respect of 75% of its Consideration Shares;

(iii) the period from the Second Management Lock-up Date to the date that is six months following the Second Management Lock-up Date (“**Third Management Lock-up Date”**) in respect of 50% of its Consideration Shares; and

(iv) the period from the Third Management Lock-up Date to the date that is six months following the Third Management Lock-up Date (“**Fourth Management Lock-up Date”**) in respect of 25% of its Consideration Shares,

in identifying the specific Consideration Shares that will be subject to such Lock-Up Period set forth in clauses (i) through (iv) of item (b) above, the Management Seller’s Consideration Shares shall be calculated in pro rata portions of (x) Consideration Shares that are not Bad Leaver Forfeiture Shares and (y) Consideration Shares that are Bad Leaver Forfeiture Shares (for the avoidance of doubt, in each case, without regard to any Bad Leaver Forfeiture Shares that cease to be Bad Leaver Forfeiture Shares after the date hereof).

For the avoidance of doubt, the Lock-up Period for a Management Seller expires on the Fourth Management Lock-up Date.

Management Sellers means Nick Fogarty, John Good, Graham Grant, Colin Hay, Philip Keith, James Lawton, Iain McLean, Lisa Wall, Daniel Wallace and Emma Warwick.

SEC means the U.S. Securities and Exchange Commission.

Securities Act means the Securities Act of 1933 (U.S.), as amended.

2. **Registration Statement and Facilitation of Resales**.

a. On or as soon as reasonably practicable following October 1, 2021, Buyer shall file a resale registration statement on Form S-3 (which shall be an automatic shelf registration if Buyer may file on such basis) registering the resale of any Consideration Shares held by Sellers on a delayed or continuous basis (the **"Registration Statement"**). As soon as reasonably practicable following such filing, Buyer shall use commercially reasonable efforts to cause the Registration Statement to become and remain effective until the Registration Termination Date (as defined below). The Registration Statement shall be in the form and contain the substance determined by Buyer; provided that the Buyer shall provide the Sellers with a draft of such Registration Statement and any amendment thereto not less than five business days prior to the filing thereof, shall consider in good faith any comments provided thereto by the Sellers, and shall include in such Registration Statement a "Plan of Distribution" section as provided by the Sellers. All expenses incidental to the Buyer's performance of or compliance with its obligations pursuant to this clause 2.a or otherwise in connection with the Registration Statement (including all registration and filing fees and all fees and expenses payable to any third parties or any persons retained by the Buyer) shall be borne by the Buyer.

b. With a view to making available to the Sellers the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit a Seller to sell securities of the Buyer to the public without registration, the Buyer shall (a) make and keep public information available, as those terms are understood and defined in Rule 144; (b) use reasonable best efforts to file with the SEC in a timely manner all reports and other documents required of the Buyer under the Securities Act and the Exchange Act; (c) furnish to any Seller, promptly upon request, a written statement by the Buyer as to its compliance with the reporting requirements of Rule 144 and of the Securities Act and the Exchange Act; and (d) take any such further action as the Sellers may reasonably request (including removing restrictive legends applicable to the Consideration Shares) to the extent required from time to time to enable the Sellers to sell Consideration Shares pursuant to Rule 144.

c. Notwithstanding any other provision of this Agreement, Buyer shall have the right but not the obligation to defer the filing of (but not the preparation of) or seeking of effectiveness of, or suspend the use by the Sellers of (including requiring the Sellers to suspend any registered offerings or sales of any Consideration Shares pursuant to), the Registration Statement for a period of up to 60 days:

   i. if an event occurs as a result of which the Registration Statement and any related prospectus as then supplemented would, as reasonably determined by the Buyer based on consultation with its counsel, include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made at such time not misleading, or if it shall be necessary to amend the Registration Statement, file a new registration statement or supplement any related prospectus to comply with the Securities Act or the Exchange Act or the respective rules thereunder;

ii. if the Buyer reasonably determines that any such registration or offering (A) should not be undertaken because it would reasonably be expected to materially interfere with any material corporate development or plan of the Buyer or (B) after consultation with counsel would require the Buyer, under applicable securities Laws and other Laws, to make disclosure of material nonpublic information that would not otherwise be required to be disclosed at that time and the Buyer believes in good faith that such disclosures at that time would not be in the Buyer's best interests; or

iii. upon issuance by the SEC of a stop order suspending the effectiveness of any Registration Statement with respect to Consideration Shares or the initiation of legal proceedings with respect to such Registration Statement under Section 8(d) or 8(e) of the Securities Act;

any such period contemplated by clauses (i) to (iii) of this clause 2.c, a "**Suspension Period**".

d. In no event shall the Buyer declare a Suspension Period more than two times in any 12-month period or for more than an aggregate of 90 days in any 12-month period. The Buyer shall give immediate written notice to the Sellers of its declaration of a Suspension Period, state that such Suspension Period will continue only for so long as the event causing the Suspension Period is continuing, and certify that the requisite determinations have been made. The Buyer must also give prompt written notice to the Sellers of the expiration of the relevant Suspension Period. The Sellers shall keep the information contained in such notice confidential subject to the same terms set forth in clause 13.4 of the Purchase Agreement.

e. **Registration Termination Date** shall mean the earliest of (i) the date on which Sellers no longer hold any Consideration Shares, (ii) the date on which the Consideration Shares may be sold or transferred without any restriction or limitation pursuant to Rule 144 or otherwise under the Securities Act, or (iii) the date on which the Consideration Shares shall have ceased to be outstanding.

3. Transfer Restrictions on Consideration Shares.

During the Lock-up Period, without Buyer's prior written consent, the Sellers shall not (and shall cause their controlled Affiliates not to), directly or indirectly, offer, sell (including any short sale), transfer, assign, gift, lend, hypothecate, pledge, encumber, grant a security interest in, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, grant any option, right or warrant for the sale of, purchase any option or contract to sell, sell any option or contract to purchase, or otherwise dispose of, or grant any rights with respect to, or consent (whether or not in writing) to any of the foregoing (**"Transfer"**), or cause to be Transferred, any Consideration Shares or any right, title or interest therein, enter into any contract, option or other arrangement or undertaking with respect to the Transfer of any Consideration Shares, or enter into any transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Consideration Shares or any voting rights decoupled from the underlying Consideration Shares, in each case, whether settled by delivery of such Consideration Shares, in cash or otherwise, take any other action that would materially restrict, limit or interfere with the performance of the Sellers' obligations under this clause 3, or publicly disclose the intention to do any of the foregoing; provided, however, that the Sellers may, without the Buyer's prior written consent, Transfer such Consideration Shares at any time:

a. to the extent that such Consideration Shares have been released from the transfer restrictions in this Agreement pursuant to clause 4;

b. to participate in any self-tender offer, share repurchase program or other repurchases of outstanding shares of Buyer’s class B common stock (each, a “**Repurchase Event”**), and for the avoidance of doubt, the Sellers shall have the right (but not the obligation) to participate in any such Repurchase Event, as applicable, on the same terms and conditions as other stockholders of the Buyer;

c. to any controlled Affiliate of the Seller, if such controlled Affiliate agrees pursuant to a written instrument in form and substance reasonably acceptable to the Buyer to be bound by the transfer restrictions of the Sellers under this Agreement as in effect immediately prior to such Transfer;

d. pursuant to an Approved Tender Offer or a Subsequent Offering (each as hereinafter defined); or

e. following a change of control of the Buyer;

f. in respect of the Management Sellers:

    i. as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value;

    ii. by will or other testamentary document, or intestacy to the legal representative, heir, beneficiary or a member of the immediate family (as

    defined below) of the Management Seller, provided that the transferee agrees to be bound in writing by the transfer restrictions set forth herein;

    iii. to any immediate family member, other dependent or any investment fund or other entity controlled or managed by a Management Seller (for purposes hereof, **immediate family** means any relationship by blood, marriage or adoption, not more remote than first cousin), provided that the transferee agrees to be bound in writing by the transfer restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value;

    iv. to any trust, partnership, limited liability company or other entity for the sole direct or indirect benefit of the Management Seller or the immediate family of the Management Seller, provided that the transferee agrees to be bound in writing by the transfer restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value;

    v. if the undersigned is a trust, to the grantor or beneficiary of such trust, provided that the transferee agrees to be bound in writing by the transfer restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value;

vi. to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (i) through (v) above, provided that the transferee agrees to be bound in writing by the transfer restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value.

g. For purposes of this Agreement, **Approved Tender Offer** means a tender offer or business combination relating to outstanding shares of Buyer's class B common stock that has been approved or recommended by the board of Buyer; and **Subsequent Offering** means any subsequent offering period of a completed tender offer for at least a majority of the outstanding shares of Buyer's class B common stock by any third party so long as a majority of the outstanding shares of Buyer's class B common stock have been previously tendered to such third party and are not subject to withdrawal.

4. Release From Transfer Restrictions

The transfer restrictions contained in this Agreement will cease to apply to, the following Consideration Shares:

a. with regard to any Seller that is not a Management Seller:

i. 50% of the Consideration Shares issued to that Seller pursuant to the Purchase Agreement, on 1 October 2021; and

ii. all Consideration Shares issued to that Seller pursuant to the Purchase Agreement, on 1 April 2022; and

b. with regard to any Management Seller:

i. 25% of the Consideration Shares issued to that Management Seller pursuant to the Purchase Agreement, on the date falling 6 months after the Completion Date;

ii. a further 25% of the Consideration Shares issued to that Management Seller pursuant to the Purchase Agreement, on the date falling 12 months after the Completion Date;

iii. a further 25% of the Consideration Shares issued to that Management Seller pursuant to the Purchase Agreement, on the date falling 18 months after the Completion Date; and

iv. all Consideration Shares issued to that Management Seller pursuant to the Purchase Agreement, on the date falling 24 months after the Completion Date, provided that in identifying the specific Consideration Shares that will be subject to release set forth in clauses (a) through (b) above, the Management Seller's Consideration Shares shall be calculated in pro rata portions of (x) Consideration Shares that are not Bad Leaver Forfeiture Shares and (y) Consideration Shares that are Bad Leaver Forfeiture Shares (for the avoidance of doubt, in each case, without regard to any Bad Leaver Forfeiture Shares that cease to be Bad Leaver Forfeiture Shares after the date hereof).

5. Forfeiture of Bad Leaver Forfeiture Shares

a. If a Management Seller is a Bad Leaver (as defined below), its Bad Leaver Forfeiture Shares may be forfeited at the discretion of the Buyer, by resolution of the board of the Buyer and notice in writing delivered to that Bad Leaver.

b. For the purposes of clause 5.a, a **Bad Leaver** means a Management Seller that has ceased to be employed or engaged by a Group Company, the Buyer or any of the Buyer's Affiliates ("**Employer**") during the Lock-up Period by reason of the Management Seller:

i. being terminated by the Employer for cause (including for serious misconduct); or

ii. giving notice to his or her Employer resigning from his or her employment or engagement,

and for the avoidance of doubt a Management Seller will not be a Bad Leaver in any other circumstances, including, in and of itself, if he or she:

iii. is employed, engaged or retained in another position or office by any other Employer;

iv. resigns as a director of a Group Company;

v. dies, becomes permanently unable to work (through disability or ill health);

vi. is given notice of cessation or termination of all aspects of their employment without cause or in a manner that constitutes constructive or unjustified dismissal as determined in a final, non-appealable decision by a court;

vii. is made redundant; or

viii. retires or reaches a retirement age in accordance with his or her terms of employment.

6. **Miscellaneous**. Clauses 15 (Notices) and Clause 16 (Miscellaneous) of the Purchase Agreement are incorporated herein by this reference as if set out fully herein and shall apply in all respects to this Agreement, *mutatis mutandis*.

7. **Termination.** This Agreement will automatically terminate without any action of the parties and be of no force and effect if (a) the Purchase Agreement is terminated prior to Completion in accordance with its terms, or (b) the Sellers have not provided within 20 business days of the date of the Purchase Agreement written evidence satisfactory to the Buyer in all respects that (i) the 75% Management Shareholders have validly approved and executed the Shareholders' Agreement Amendment and have either executed the Purchase Agreement or executed a Deed of Accession to the Purchase Agreement or (ii) 100% of the Sellers have either executed the Purchase Agreement or executed a Deed of Accession to the Purchase Agreement. Termination of this Agreement does not affect accrued rights arising from any breach of this Agreement occurring before termination

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound by the terms hereof, have caused this Agreement to be executed as of the date first above written by their officers or other representatives thereunto duly authorized.

SELLERS:

Accel-KKR Capital Partners V, LP by:

/s/ Tom Barnds. . . . .
Signature of authorised person

Tom Barnds. . . . .
Name of authorised person (print)

Managing Partner. . . . .
Office held

Accel-KKR Capital Partners V Strategic Fund, LP by:

/s/ Tom Barnds. . . . .
Signature of authorised person

Tom Barnds. . . . .
Name of authorised person (print)

Managing Partner. . . . .
Office held

Accel-KKR Members Fund, LLC by:

/s/ Tom Barnds. . . . .
Signature of authorised person

Tom Barnds. . . . .
Name of authorised person (print)

Managing Partner. . . . .
Office held

Seequent Trustee Limited by:

/s/ Shaun Warwick Maloney. . . . .
Signature of authorised person

Shaun Warwick Maloney. . . . .
Name of authorised person (print)

Director & CEO. . . . .
Office held

Pencarrow V Investment Fund LP acting by its general partner **Pencarrow V Investment Fund GP Limited by:**

/s/ Nigel Bingham. . . . .
Signature of authorised person

Nigel Bingham. . . . .
Name of authorised person (print)

Director. . . . .
Office held

Signed by **Shaun Warwick Maloney**: /s/ Shaun Warwick Maloney. . . . .
Signature of Shaun Warwick Maloney

Signed by **Graham Grant**: /s/ Graham Grant. . . . .
Signature of Graham Grant

Maki Holdings Limited by:

/s/ Ian MacLeod. . . . .
Signature of authorised person

Ian MacLeod. . . . .
Name of authorised person (print)

Director. . . . .
Office held

Signed by **Paul Grunau**: /s/ Paul Grunau. . . . .
Signature of Paul Grunau

TMD Holdings Ltd by:

/s/ Tim Dobush. . . . .
Signature of authorised person

Tim Dobush. . . . .
Name of authorised person (print)

Director. . . . .
Office held

Signed by **Curtis G. Kelln**: /s/ Curtis G. Kelln. . . . .
Signature of Curtis G. Kelln

Signed by **Christopher J. Kelln**: /s/ Christopher J. Kelln. . . . .
Signature of Christopher J. Kelln

Signed by **Adam Pidlisecky**: /s/ Adam Pidlisecky. . . . .
Signature of Adam Pidlisecky

Signed by **Scott Alexander Houston**: /s/ Scott Alexander Houston. . . . .
Signature of Scott Alexander Houston

Lackawack ApS by:

/s/ Thomas Donald Krom. . . . .
Signature of authorised person

Thomas Donald Krom. . . . .
Name of authorised person (print)

CEO. . . . .
Office held

Signed by **Daniel Wallace**: /s/ Daniel Wallace. . . . .
Signature of Daniel Wallace

Signed by **Nick Fogarty**: /s/ Nick Fogarty. . . . .
Signature of Nick Fogarty

Signed by **Ana Cristina Chaves**: /s/ Ana Cristina Chaves. . . . .
Signature of Ana Cristina Chaves

Signed by **Lorraine Godwin**: /s/ Lorraine Godwin. . . . .
Signature of Lorraine Godwin

Signed by **Timothy John Mitchell**: /s/ Timothy John Mitchell. . . . .
Signature of Timothy John Mitchell

Signed by **Natalie Green**: /s/ Natalie Green. . . . .
Signature of Natalie Green

Signed by **John Good**: /s/ John Good. . . . .
Signature of John Good

Signed by **Philip Keith**: /s/ Philip Keith. . . . .
Signature of Philip Keith

Signed by **James Lawton**: /s/ James Lawton. . . . .
Signature of James Lawton

Signed by **Melanie Lynn**: /s/ Melanie Lynn. . . . .
Signature of Melanie Lynn

Signed by **Lisa Wall**: /s/ Lisa Wall. . . . .
Signature of Lisa Wall

Signed by **Emma Warwick**: /s/ Emma Warwick. . . . .
Signature of Emma Warwick

Signed by **Iain McLean**: /s/ Iain McLean. . . . .
Signature of Iain McLean

Signed by **Colin Hay**: /s/ Colin Hay. . . . .

Signature of Colin Hay

BUYER:

Bentley Systems, Incorporated by:

/s/ David Shaman. . . . .

Signature of authorised person

David Shaman. . . . .

Name of authorised person (print)

Chief Legal Officer. . . . .

Office held

Exhibit 10.2

AMENDMENT TO SIDE LETTER AGREEMENT

This Amendment to Side Letter Agreement (this "**Amendment**") is dated as of March 11, 2021 by and between Accel-KKR Capital Partners V, LP (the "**Sellers' Representative**") and Bentley Systems, Incorporated (the "**Buyer**"). Capitalized terms used but not otherwise defined in this Amendment shall have the meanings ascribed to such terms in the Purchase Agreement (as defined below).

RECITALS

WHEREAS, the Sellers' Representative and the Buyer, among others, have entered into that certain Sale and Purchase Agreement For Shares dated as of the date hereof (as it may be amended, modified or waived from time to time, the "**Purchase Agreement**");

WHEREAS, in connection with the Purchase Agreement, the Sellers' Representative and the Buyer, among others, entered into a Side Letter Agreement (the "**Letter Agreement**") setting forth certain rights and obligations of the parties thereto relating to shares of the Buyer that may be issued pursuant to the terms and conditions of the Purchase Agreement;

WHEREAS, clause 6 of the Letter Agreement provides that the Letter Agreement may be amended if such amendment is in writing and signed by the Sellers' Representative and the Buyer; and

NOW, THEREFORE, in consideration of the foregoing, and the representations, warranties, covenants and conditions set forth in the Purchase Agreement and the Letter Agreement, the parties hereto, intending to be legally bound, hereby agree to amend the Letter Agreement as follows:

1. **Amendment**. The first sentence of clause 2(a) of the Letter Agreement is hereby amended and restated to read as follows, with the amended language added in bolded underlined text:

    a. On or as soon as reasonably practicable following October 1, 2021 **<u>(but, for the avoidance of doubt, in no event prior to the Completion Date)</u>**, Buyer shall file a resale registration statement on Form S-3 (which shall be an automatic shelf registration if Buyer may file on such basis) registering the resale of any Consideration Shares held by Sellers on a delayed or continuous basis (the "**Registration Statement**").

2. **No Further Amendment.** Except as expressly amended herein, all of the terms and conditions of the Letter Agreement remain unchanged and in full force and effect.

3. **Miscellaneous.** Clause 15 (Notices) and Clause 16 (Miscellaneous) of the Purchase Agreement are incorporated herein by this reference as if set out fully herein and shall apply in all respects to this Amendment, mutatis mutandis.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound by the terms hereof, have caused this Amendment to be executed as of the date first above written by their officers or other representatives thereunto duly authorized.

BUYER:

Bentley Systems, Incorporated by:

/s/ David Shaman . . . .
Signature of authorised person

David Shaman . . . .
Name of authorised person (print)

Chief Legal Officer. . . . .
Office held

SELLERS' REPRESENTATIVE:

Accel-KKR Capital Partners V, LP by:

/s/ Thomas C. Barnds. . . . .
Signature of authorised person

Thomas C. Barnds . . . .
Name of authorised person (print)

Managing Partner. . . . .
Office held

Exhibit 31.1

Management Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregory S. Bentley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bentley Systems, Incorporated (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 11, 2021

/s/ GREGORY S. BENTLEY

Gregory S. Bentley
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Management Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, David J. Hollister, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bentley Systems, Incorporated (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 11, 2021

/s/ DAVID J. HOLLISTER

David J. Hollister
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Bentley Systems, Incorporated (the “Company”) on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2021

/s/ GREGORY S. BENTLEY
Gregory S. Bentley
Chief Executive Officer
(Principal Executive Officer)

/s/ DAVID J. HOLLISTER
David J. Hollister
Chief Financial Officer
(Principal Financial Officer)