Bentley Q4 and Full Year 2024 Earnings Call Transcript

Eric Boyer: Good morning and thank you for joining Bentley Systems' Q4 2024 results and 2025 outlook webcast.

I'm Eric Boyer, Bentley's investor relations officer.

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

This webcast includes forward-looking statements, made as of February 26, 2025, regarding the future results of operations and financial position, business strategy and plans, and objectives for future operations of Bentley Systems, Incorporated.

All such statements made in or contained during this webcast, other than statements of historical fact, are forward-looking statements.

This webcast will be available for replay on Bentley Systems' Investor Relations website at investors.bentley.com on February 26, 2025.

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

Greg Bentley: Good morning and, once again, thanks to each of you for your interest in BSY.

Following me, CEO Nicholas and CFO Werner will report on our quite satisfactory conclusion to 2024 and on our characteristically consistent financial outlook for 2025.

My own purpose today, as we review our fifth year-end as a public company, is more so to benchmark our longer-term cumulative progress against the priorities of shareholders.

To that end, here's how we present, in the opening slide of our introductory investor relations deck, the differentiating virtues to which we (with our investors, we think) aspire.

I believe the year 2024 substantially advanced our track record of achieving these objectives.

Following our long-planned CEO succession that took effect in midyear, Nicholas will describe further organizational changes to more directly orchestrate product innovation within our overall strategy—and to reinforce our hallmark advantage of technically focused leadership, as appropriate for our engineering market.

And during 2024, subscriptions increased to 90% of total revenues, durably sustaining greater-than-ever visibility, quality, and consistency.

Supporting our ongoing programmatic acquisition priorities in asset analytics, our landmark strategic acquisition in 2024 of Cesium has greatly broadened our platform ecosystem of geospatial digital twin developers.

2024’s increase in adjusted operating income inclusive of stock-based compensation surmounted our established commitment of 100 basis points of margin improvement annually.

With, in 2024, a greater preponderance than ever of revenues recognized ratably and paid annually in advance, we directly and efficiently convert adjusted operating income inclusive of stock-based compensation into free cash flow, net of stock-based compensation.

Notwithstanding the majority of our ARR being consumption-based, in recent years and especially in 2024, we have increased the sustainability and visibility of double-digit ARR growth through a greater prevalence—for accounts in our principal commercial program E365—of multiyear floors and ceilings, which graduate annually at a rate on average consistent with our overall NRR, now indeed at 110%.

For the full year, organic ARR growth ex-China was comparable to, and compounded consecutively from, our year 2023.

Such compounding would be a powerful investment virtue indeed, to the extent achieved reliably over a classic long term.

So, let’s benchmark BSY’s performance to date as a public company against the priorities of stockholders.

With their per-share orientation, such a priority would be to manage share count to avoid compounding dilution. This shows the progression in shares owned by the Bentley family. Despite having divested shares at an average annual rate of about 1% of shares outstanding, we continue to hold the economic majority.

A major factor in share sales by we Bentley brothers is that distributions from our holdings in the company's deferred compensation plan have been triggered by retirements, requiring the bulk of these shares to be sold to cover ordinary income taxation. Thankfully, by now, most such shares have already been distributed.

Shown here are the remaining shares in each year's average fully-diluted count—other than those associated with our convertible notes.

Finally, added here is the accounting share count associated with our convertible notes, shown every year for which they've been outstanding in order to capture the full expansion of the company's capitalization.

Our non-convertible net debt has been minimal at both the beginning and end of this period, so I think it's fair to use the compounded annual growth rate of 2.8% in this total share count as a proxy for growth in our capitalization. And reducing this by our dividend yield of about a half percent would provide an appropriate baseline for per-share CAGR comparisons to financial performance metrics, starting with our reported revenues. But for better comparability, here's the same revenue history, but at constant currency, having compounded at an annual growth rate of 14.5%.

While for tracking business performance we have excluded growth from onboarding our platform acquisitions, we need not do that here because the foregoing share growth sufficiently accounted for the capitalization increases to finance the platform acquisitions.

Professional services revenues, highlighted here, accumulated with the Cohesive acquisitions. I am a proponent of the long-term strategic rationale for Maximo digital integration, but in the meantime, this revenue source adds volatility and subtracts from profitability, so we're better off to moderate rather than to maximize it.

License revenue, highlighted here, depends on the vicissitudes of China and also perhaps testing the budget flush.

Thus, it’s notable that constant-currency subscription revenues, which we thus regard as our key revenue metric, have grown to constitute 90% of our total, having compounded at an annual growth rate of 16.3%.

Hence, to double subscription revenues over the five years from 2020, here’s what would be required for 2025. Subscription revenue is, of course, literally led by our key performance metric ARR, here at each year-end, at constant 2024 budget exchange rates—and within which highlighted here is the breakout of ARR cumulatively onboarded with the platform acquisitions of Seequent and Power Line Systems.

This overall ARR in constant currency has compounded at an annual growth rate of 16.3%—interestingly, indeed, the same as for constant-currency subscription revenue.

Highlighted here is what turns out to have been ever less-significant ARR onboarded annually (the darker top slice) and cumulatively with programmatic acquisitions.

Our ARR in China, highlighted here, has declined substantially and structurally in recent years.

So, we can here measure that excluding China (but not Russia), and excluding all onboarded ARR from platform and programmatic acquisitions, we have compounded ARR in constant currency at an annual growth rate of 13.6%.

And, back to overall ARR, here is the level of ARR at the end of 2025 that would complete doubling over the five years from 2020.

To measure the compounding of profits, and of free cash flow, we are obliged to do without constant currency accounting.

Here is adjusted operating income as reported. However, for each of 2020 and 2021, in setting appropriate baselines for our subsequent regular margin improvements, we also reported adjustments corresponding to unexpected windfall expense savings amounts—primarily in travel and events—that are highlighted here.

And, for all purposes, we measure operating margins after the cost of stock-based compensation, highlighted here, as our shareholders recognize its economic fungibility with cash compensation.

In this resulting primary profitability measure, adjusted operating income with stock-based compensation, and with the pandemic adjustments for the early years, our compounded annual growth rate has been 20.4%.

And here are the amounts required for profitability in 2025 to have doubled over these five years from 2020, highlighting the range implied by including the pandemic adjustment or not.

Converting this profitability relatively transparently, here is free cash flow, as reported.

And highlighted are the same pandemic adjustments, but for cashflow purposes, tax-effected at a blended 21% tax rate.

But we don't consider cash flow to be truly free until after netting out the amount needed for stock repurchasing to offset what would otherwise be share dilution from stock-based compensation, highlighted here.

Our resulting free cash flow generation, net of stock-based compensation and pandemic adjustments, has compounded at an annual growth rate of 18.5%.

And here are the amounts required for such free cash flow net of SBC in 2025 to double over these five years from 2020, again highlighting the range implied by including the pandemic adjustment or not.

Finally, highlighted here are the proportions of annual free cash flow net of SBC allocated to dividends.

And we will shortly see, with Werner's presentation of our 2025 financial outlook range, the extent to which these benchmarked key financial metrics, and their CAGRs over our four-plus public years to date, can be expected to reach a classic-compounding threshold of doubling over five years. Most importantly, I regard that our company's aspiration and expectation should be to sustain at least this benchmarked compounding for each succeeding five years, indefinitely.

And for our management team that is bringing this about: now over to Nicholas, and then Werner, to review 24Q4 and provide BSY's consistent outlook range for 2025.

Thank you!

Nicholas Cumins: Thank you, Greg.

I wanted to start by expressing my gratitude to our colleagues for delivering another strong quarter and year. In terms of ARR growth, profitability, and free cash flow, we had a strong finish to 2024.

The global demand environment remains robust across most sectors and geographies, and our users continue to be optimistic about end market conditions. We also announced a new chief operating officer and organizational changes to accelerate innovation, which I will touch on later.

We entered the year well aligned with our users' priorities and well positioned to continue strong financial performance in 2025 and beyond. Our 2025 outlook is consistent with our longer-term framework of low double-digit ARR growth, 100 basis points of margin expansion, and strong cash flow generation.

Focusing now on Q4 highlights, ARR growth was 12% year-over-year and 12.5% excluding the impact of China. Taking into consideration the impact of onboarded programmatic acquisitions and rounding, the results were very comparable to the year-ago period.

Turning next to our commercial models: our E365 program continues to drive strong growth, in particular from renewals with higher floors supported by consumption growth, and still a sizeable amount from conversions.

Across our commercial models, our application mix accretion remained strong but moderated by about 100 basis points, while our net revenue retention rebounded to our high-water mark of 110%.

For several reasons, we no longer find application mix accretion to be a useful measure of growth within existing accounts. One of those reasons is because it misses growth from offerings that are not user-based, which we anticipate seeing more of, such as Bentley Asset Analytics. We, therefore, intend to introduce a new indicator that better reflects overall consumption growth. We believe we have a long runway of growth within our accounts as they continue to adopt more sophisticated products *and* complementary products.

In Q4, we also added 300 basis points of ARR growth from new logos, mainly SMB.

This includes adding more than 600 new logos through our online store for the 12th straight quarter. ARR growth from new logos in the quarter would have been even higher if not for an unprecedented large proportion of SMB prospects having instead chosen perpetual licenses over subscriptions in the quarter.

Our performance by infrastructure sector in Q4 was consistent with previous quarters. Public works/utilities finished the year with strong momentum, fueled by robust infrastructure spending by governments around the world. Despite continued softness in new mine investments, resources growth remained solid, while industrial and commercial/facilities maintained modest growth.

Looking at our performance by region: EMEA had a standout quarter with strength across most of Europe, as well as the Middle East.

Americas delivered strong growth with consistent trends within North America and Latin America. Despite uncertainties about federal spending in the U.S. under the new administration, the broader infrastructure engineering community expects the investments in infrastructure to continue, though in a changed mix. Funding is likely to shift to more traditional power sources from alternatives, and to more road work instead of high-speed rail. It has also been announced that this administration will be investing significantly in AI, which means increasing data center and power transmission buildout. We also expect permitting reform to be a top priority for this administration and Congress, which will accelerate new power transmission corridors, as well as new mine exploration, benefiting our Power Line Systems and Seequent businesses. Bentley Systems is well positioned regardless of the type of infrastructure that is being funded due to the breadth of our software portfolio.

Asia Pacific was once again led by India and Southeast Asia, and sentiment remains very strong for 2025.

China's performance continued to face the same headwinds: soft economic conditions and continued shifting preferences by state-owned enterprise accounts for local software and—at best—perpetual licenses. Because of these ongoing headwinds, we anticipate a decline of ARR in China this year. Note that China now represents less than 2.5% of our total ARR.

Turning to products, we made great progress across our product portfolio in 2024. As discussed previously at Year in Infrastructure 2024, we introduced OpenSite+, the first of a new generation of data-centric and AI-powered infrastructure engineering applications. And we strengthened our platform with the acquisition of Cesium, adding market-leading 3D geospatial capabilities and an active developer community to Bentley.

We were also pleased with the performance of Bentley Asset Analytics, which we introduced in 2024—our portfolio of products used to create digital twins of infrastructure assets and analyze their conditions with AI. It was a year of learning for us—and our users—as we both look to maximize the potential of this emerging growth area. For instance, while our initial focus was on asset operations, we uncovered additional opportunities in construction, with initial subscriptions tied to the duration of projects. Over time, we expect asset analytics to become a large opportunity for us.

Our product strategy is aligned with industry needs. You may recall that we discussed the AEC Advisors' state-of-the-the-industry survey two years ago. I would like to share some highlights of their most recent survey, as it aligns well with our product investments to date and going forward.

Each quarter on these calls, we discuss the widening engineering resources capacity gap. There simply aren't enough engineers to meet the demand for better and more resilient infrastructure. This challenge is reflected in the survey results. When asked about their top objectives today, the CEOs cited workforce productivity as a top priority. Firms need digital solutions that increase workforce productivity, which we are well positioned to provide.

While we have a shortage of engineers in infrastructure, we don't have a shortage of data. So many assets generate gigabytes of data every day—whether from sensors on a bridge, a utility network, or any other system. We have spoken many times about how only a small fraction of this data is ever analyzed and reused. The vast majority of infrastructure projects start with a blank screen.

When asked which technologies are most important today, CEOs focused on data management. This shows that engineering firms are recognizing the importance of better organizing, managing, and leveraging their data to improve the productivity of their organizations and individual engineers. All of this provides opportunities for Bentley Infrastructure Cloud, and in particular ProjectWise powered by iTwin, which helps to extract data from any engineering file, whether Bentley or third party, and organize that data to make it queryable and reusable.

This focus on better data management is also driven by artificial intelligence. Firms recognize the opportunity that AI presents to help them make the most of their data, including reusing data through generative AI to vastly improve workforce productivity.

They are investing accordingly. The top two areas of investment are digital transformation and compiling datasets for machine learning. We had anticipated this opportunity many years ago as we started to invest in AI, with an initial focus on asset performance, and now expanding to project delivery, for example with the introduction of OpenSite+ in Q4, which I mentioned previously.

Going forward, engineering firms expect to focus more on meeting clients' digital requirements—with many also looking toward new services and business models. And they also see increasing value in digital twins in the operations phase of the lifecycle. Both of these points underscore the opportunity for Bentley Asset Analytics, as we previously discussed. Engineering firms can leverage Bentley Asset Analytics to offer services for asset operations and maintenance.

Across the board, from our engineering and geoprofessional applications, to Bentley Infrastructure Cloud, to our AI-powered digital twin solutions—including Bentley Asset Analytics—Bentley is well positioned as the partner of choice for infrastructure engineering firms, as well as owner-operators—our product investments being aligned with current and emerging industry needs.

AI is transforming every industry, and ours is no exception. We intend to continue to lead the way for infrastructure AI, which is why we announced key organizational changes at the start of the year.

We are excited to welcome James Lee as our chief operating officer. James joined us from Google, where he served as general manager for startups and artificial intelligence at Google Cloud. Prior to Google, James spent 12 years at SAP, including COO for SAP Ariba and Fieldglass, and as COO and GM for sales for SAP Greater China. James is responsible for strengthening our cross-functional alignment across planning and execution, driving operational excellence, and overseeing China, Japan, and portfolio development, including growth initiatives, such as Bentley Asset Analytics.

The other organizational change that we announced was the consolidation of product development under Chief Technology Officer Julien Moutte to better align product execution with technology strategy and accelerate innovation. We believe this move puts us in a stronger position to capture the many growth opportunities that we have opened up with infrastructure AI—from Bentley Asset Analytics to the next generation of Bentley Open applications.

And with that, I will turn it over to Werner to detail our Q4 financial results and outlook for 2025.

Werner Andre: Thank you, Nicholas.

We are pleased with our finish to a solid year of financial performance.

Total revenues for the fourth quarter were $350 million, up 13% year-over-year on a reported and constant currency basis. And for the full year, total revenues were $1.353 billion, up 10% on a reported and constant currency basis.

Strong subscription revenues in the fourth quarter and full year were partly offset by lower services revenues due to reduced Maximo-related work within our digital integrator Cohesive.

Subscription revenues now represent 90% of total revenues, up more than 2 percentage points from 2023, improving the overall quality of our total revenues in terms of growth consistency, predictability, and margin contribution.

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Subscription revenues grew 16% year-over-year for the quarter and 13% for the full year, in reported and constant currency.

The growth rate for the full year, of course, tends to more closely align with our year-over-year constant currency ARR growth.

Our SMB and E365 initiatives continue to be solid contributors, with E365 now representing 42% of 2024 subscriptions revenues, up from 38% in 2023 and 32% in 2022.

Perpetual license revenues for the quarter grew 11% year-over-year in reported and 12% in constant currency, and, for the full year, were flat in reported and constant currency.

Our services revenues declined 21% for the quarter, and 18% for the year, in reported and constant currency.

Our last 12-months recurring revenues, which include subscriptions and a small amount of recurring services, increased by 13% year-over-year in reported and constant currency, and represent now 91% of our total revenues, up 2 percentage points year-over-year.

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

We ended Q4 with ARR of $1.283 billion at quarter-end spot rates.

On a constant currency basis, our trailing 12-months ARR growth rate was 12% year-over-year, and 3.2% on a sequential quarterly basis, consistent with this year’s expectations for our seasonally biggest contract renewal quarter.

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

Our GAAP operating income was $61 million for the fourth quarter, and $302 million for the year. I have previously explained the impact on our GAAP operating results from deferred compensation plan liability revaluations and acquisition expenses.

Two other items that were recognized in our financial statements in 2023 will need to be considered for profitability comparison purposes.

During 23Q4, we initiated a strategic realignment program, our first since 2020. We incurred a realignment charge of $13 million, mainly for severance, causing the first half of 2024 to appear relatively profitable, as we worked to reinvest associated run-rate savings into priority areas, such as AI in product development and marketing. We were fully reinvested by the beginning of the third quarter of 2024.

And secondly, during 23Q4, within our income tax line below operating income, we recognized a net discrete income tax benefit of $171 million relating to an internal legal entity restructuring of our Seequent IP ownership.

Moving on to adjusted operating income with stock-based compensation expense, our primary profitability and margin performance measure.

Adjusted OI with SBC expense was $75 million for the quarter, flat year-over-year, with a margin of 21.5%. The margin decline of 250 basis points is primarily a result of our Opex seasonality, impacted by the timing of the full reinvestment of our run-rate savings from the realignment, combined with our fourth quarter being seasonally our highest Opex quarter due to larger promotional and event-related activities and costs.

For the full year, our adjusted OI with SBC expense was $372 million, up $47 million, or 15%, with a margin of 27.5%, up 110 basis points year-over-year, in line with our expectations and outlook for the year.

Our operating cash flow was $82 million for the quarter and $435 million for the year, up $18 million, or 4%. Remember that our fiscal year ‘23 cash flow from operation was particularly high, increasing 52% over 2022 due to a significant collections delay from 22Q4 into 23Q1.

Benefiting from strong collections at the end of the year, our 2024 conversion of adjusted EBITDA to cash flow from operations was above our expectations at 94%.

Starting for 2025, rather than guiding to such a conversion rate, we will provide an outlook range for free cash flow.

With regards to our 2024 capital allocation, along with providing sufficiently for our growth initiatives, we deployed free cash flow as follows: $130 million on acquisitions, $147 million paying down bank debt, $77 million effective share repurchases to offset dilution from stock-based compensation, and $72 million on dividends.

At the end of Q4, our net senior debt leverage was 0.2 times adjusted EBITDA. Including our 2026 and 2027 convertible notes as debt, our net debt leverage was 2.9 times, down from 3.5 times at the end of 2023.

Our five-year senior secured credit agreement, entered into in October 2024, provides a $1.3 billion revolving credit facility and an incremental $500 million accordion feature, hence sufficient flexibility to address the January 2026 maturity of $690 million of convertible debt.

Our existing debt is protected from high or rising interest rates by virtue of very low fixed coupons on our convertible notes, and our $200 million interest rate swap, expiring in 2030.

Our 2025 financial outlook is consistent with our sustained objectives of low double-digit ARR growth, approximately one hundred basis points of annual margin expansion, and strong free cash flow conversion. It reflects our confidence in continued favorable market conditions, and in the momentum of our growth initiatives.

Based on current exchange rates, we anticipate total GAAP revenues in the range of $1.461 billion to $1.49 billion, or $1.481 billion to $1.51 billion in constant currency, reflecting an approximate 1.5% headwind to revenue growth in constant currency.

Our outlook range for our mainstay subscription revenues, representing 90% of total revenues, is growth between 10.5% and 12.5% on a constant currency basis.

We expect that our less predictable and less controllable perpetual license revenues and services revenues—together representing the other 10%—will remain relatively flat on a constant currency basis.

Going back to Greg's slides, based on our outlook, we will have doubled our constant currency subscription revenues from 2020.

Our outlook range for constant currency ARR growth is also 10.5% to 12.5%. When compared to our ARR growth outlook range for 2024, the low end of our 2025 range is consistent, but we are narrowing the top end of our range by 50 basis points, taking a more conservative view on China, where we expect continued attrition.

While as in 2024, we believe that asset analytics presents incremental upside opportunity, we have found that a significant portion of use cases are during the construction phase of an asset, which may not all be accounted for as ARR.

So again, based on our outlook, we will have doubled our constant currency ARR from 2020.

We expect an adjusted operating income with stock-based compensation [expense] margin of approximately 28.5% to deliver on our standing commitment to expand our operating margin by approximately one hundred basis points annually.

And again, our adjusted OI with stock-based compensation will have doubled from 2020, when normalized for 2020 COVID windfalls, and we will be close to doubling without normalizing for such windfalls.

Our outlook range for free cash flows is $415 million to $455 million. This considers cash interest of approximately zero, net of the payments we expect to receive from our interest rate swap, cash taxes of approximately $75 million, and Capex of approximately $20 million.

Based on the expected seasonality of collections and expenditures, we expect that approximately 55% to 60% of our free cash flows will be generated during the first half of 2025.

Finally, in relation to free cash flow less stock-based compensation, we expect to fall short of doubling from 2020 without normalizing for COVID windfalls. However, we expect to double when normalizing for such windfalls.

And in terms of capital allocation, we are announcing another annual increase of one cent in our quarterly dividend, which affords compounding cash flow to be allocated to programmatic acquisitions and debt service.

To help you with your models, we expect our sequential ARR and revenues growth seasonality to be back-half loaded similar to 2024, and our Opex seasonality will be closer aligned with 2023, now that the volatility from our strategic realignment is behind us.

We expect stock-based compensation to decline to approximately 5% of revenues in 2025, and then to trend back up towards a long-term norm of 6%. And I also include here on the slide additional expectations on interest expense, effective tax rate, operating depreciation and amortization, and outstanding shares.

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

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

Matt Hedberg: Thanks for the question. And congrats on another good year. I think, Greg, you really gave us some perspective on the results since the IPO. It was sort of great to see the progression. And it seems like we should expect more of that.

On the call, you noted a robust demand environment. You noted that China continues to be a drag. And it seems like you addressed that at the high end of your full-year ARR range, 50 bips lower than last year. I guess, that said, there's a lot of positivity that you talked about on the call in terms of potential drivers. I guess when you step back and you think, this year you were near the high end of the ARR range there in 2024, what are the one to two things that could propel you to the higher end of this ARR range as you embark on a new calendar year?

Greg B: Nicholas, you're applying yourself to that?

Nicholas C: I would be happy to. So, the overall environment, demand environment, is robust. You know that mining has been a bit slow in the past more than a year now, a year and a half or so. It's a bit of a subdued environment for new mine exploration, or enhancements, or major expansions of existing mines. If this changes because of, for example, acceleration of permitting reform in the U.S. that is leading to new mine explorations, this could be an extra tailwind.

The business is already very, very strong when it comes to PLS, or Power Line Systems, for the transmission grid. But if permitting reform does accelerate, and it leads to an acceleration of the expansion of the electric grid, this could be an additional tailwind. So, I think this could help.

Now, the two drags that we've seen for ARR have been China, as discussed many, many times. And then even though it's a very small percentage of our business, it's a single digit, commercial facilities. If this were to improve as well, then, of course, this will help.

Look, in general, as we start the year, the trends are remarkably consistent with what we've said every quarter last year. So, the demand environment is just very similar to what we've been discussing for the past quarters. So, anything that has been holding us back in 2024, if that improves, then of course, this would be extra tailwind.

Matt H: Thanks a lot. Best of luck.

Eric B: Thanks, Matt. Next question comes from Jason Celino from KeyBanc.

Jason Celino: Great. Thank you. Nice to see you this morning. I did want to follow up on the permitting reform. So, I agree with you that it could be a significant catalyst. I know we're still pretty early, but have you seen any signs that permitting reform has been introduced? Or how should we think about timing? Because I imagine the legislation has to go through, and then customers have to approve things. But how should we think about that? Have you seen any signs today?

Nicholas C: Well, we've seen an executive order calling for permitting reform, but it's still very early indeed, yeah? A new U.S. administration. So, no impact yet.

Greg B: It is a bipartisan priority, however, and I think we can be very hopeful it will be accomplished during the year at least.

Jason C: OK. Thank you.

Greg B: Of course, that doesn't cause projects to start to flow immediately because there still is a need for permitting. But I think it's a matter of finally when, not if, in the U.S. for permitting reform.

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

Siti Panigrahi: Thank you. I want to ask about the macro environment. How do you compare, and if you look at the data point, how it's trending versus last year? And then specifically in the U.S., now election is over and administration is firmly in place, how do you characterize the change in priorities there versus expectation? And also, do you see any impact from those initiatives?

Greg B: I'm going to ask you, Nicholas, to talk about the world at large, and maybe I'll come back to the U.S.

Nicholas C: OK, happy to. So, look, in Europe, for example, despite the political volatility we've seen in France and very recent elections in Germany, elections back in Q4 when it comes to the to the U.K. or the second half of last year, there is a just strong alignment that infrastructure investments are needed. So, it is a bipartisan topic, not just in the U.S., as Greg is going to explain, but in Europe as well. The new government in the U.K. is as favorable if not more for investments in infrastructure. So, we expect the level of investment to be the same, if not higher.

In Europe, the new European Commission has laid out its priorities of competitiveness and resiliency and security. And every single one of these priorities is related to infrastructure. In fact, today, the European Commission talked about its plan for increasing competitiveness of Europe. And it again referred to additional investments in infrastructure. So, that's clear.

So, we see infrastructure investment going strong all around the world. There is wide consensus that this is needed to support the economy, to improve the quality of life, in some regions, to secure energy, and to make sure infrastructure is resilient in front of climate change. So, those are very, let's say, secular trends.

The only country where we've seen a slowdown, as we discussed many times, is China.

Greg B: If I go back to the U.S., of course, we have a purposefully unpredictable administration here now. But the engineering organizations in the U.S., whose business is to read these tea leaves, are not concerned. And my view of it is that they're already at their capacity, their resource capacity, and do not see any possibility that there will be less federally funded infrastructure work, even though its mix will somewhat change, possibly to our advantage.

Siti P: Thank you. That's helpful color.

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

Kristen Owen: Hi. Good morning. Thank you for the question. Nicholas, both you and Werner touched on this in your prepared remarks, but the expectations around the asset analytics platform, notably in construction, just given what appears to be an acceleration of the labor gap in some of those construction trades, how quickly do you see your site management capabilities ramping, and how does the monetization model differ from something in construction versus what you've previously outlined for us in both telecom and highways? Thank you.

Nicholas C: So, when it comes to asset analytics, the commercial model, whether the capabilities are used at the moment of construction or during operations, are the same. It's really asset-based. The only question is, how do we treat that revenue? If it's for construction, for example, installing new equipment on a cell tower, and triple-checking that it's well installed after the installation, then it's not a recurring revenue for us, as opposed to if it's used for continuous monitoring of the cell tower, then it would be more—it would be recurring. Yeah, so that's the difference. But it's still asset-based when it comes to towers. It's going to be miles-based when it comes to the road network monitoring and not user-based.

Greg B: And we like both opportunities. The majority is in asset operations, but construction is a nice way to start. And once there is a digital twin from construction, we think we stand a good chance of, in fact, having it renewed during asset operations. But that's also often a different sale to a different party. And we can't take that for granted. But all of the opportunities are burgeoning in this, and we're learning about the business model potential for this asset-based monetization.

Kristen O: Thank you.

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

Dylan Becker: Hey guys, appreciate the question. Maybe Nicholas, for you. You called out Jason and Julien coming on board. Wondering if you could highlight or flag the opportunity and what excites you most.

You called out data readiness, data management as a key initiative. Obviously has the expertise coming from Google on that side of the equation, and the streamlining of the product development motion under Julien's team, how that can accelerate value and innovation for customers as well. Thanks, guys.

Nicholas C: Yeah, well, my excitement is on AI. It truly is our generation's paradigm shift. It's a profound technological change. And it's the reason why we decided to, let's say, simplify our product and technology organization in order to be able to operate with more agility, more precision, and more speed to accelerate innovation. So, that's the driver behind the reorganization of our product technology organization under our CTO. So, there's strong alignment between product execution with technology strategy, which is very needed at this time of profound changes.

But yes, you indeed noted it as well, James, who joined us from Google, had the responsibility of AI at Google Cloud, AI investments at Google Cloud. So, he's coming with a formidable network in the, let's say, broader software community when it comes to AI investments and a lot of knowledge to share with us and to help accelerate those investments.

Greg B: I might say, this is exciting to me, because taking hierarchy out of our product organization is meant to hark back to our roots, if you like, with the Bentleys primarily being hands-on and early identifying new opportunities.

There was nothing wrong with how we were organized before, but our business has become so steady. You've heard me say, I'd like to introduce some volatility, take some risks, place some markers. And I'm very excited about this new team doing that.

Dylan B: Great. Thank you, guys.

Eric B: Thanks, Dylan. The next question comes from Jay Vleeschhouwer from Griffin Securities.

Jay Vleeschhouwer: Hi, thank you, good morning. You noted the multiple responsibilities for the new chief operating officer. Are there two or three principal objectives or executables for the COO role that you would like to see for this year and beyond?

For example, at the investor meeting in Vancouver a few months ago, you noted that you had integrated your customer success and account teams. Maybe talk about how that's going, or other go-to-market objectives that the COO has. Thank you.

Nicholas C: Thanks for that question, Jay. And then just to be clear, the scope of the COO is quite different from the scope I had when I was a COO. So, the sales and marketing and success management teams, et cetera, all report straight to me.

But we did combine account management and success management under Brock, our chief revenue officer, and this has helped tremendously in making sure that we have one account plan. We're absolutely clear for each account on what are the growth opportunities for consumption, and we execute very seamlessly about it.

The overall, let's say, theme here is simplification. The same way that we've combined account and success management together, on the product side, we've combined product and technology together. So, simplification in order to have more agility, be able to execute with more precision and speed.

So now, when it comes to James as our COO—so he does have a cross-functional role, helping in both planning and execution and making sure that we are coordinated. It will be at a higher level of what I just described. It will be, for example, on the industry solution dimension that we've talked about many times, Jay, this now reports to him. So, keeping the industry dimension from planning all the way to go-to-market.

But he is also in charge of portfolio development. And a big priority we have is on asset analytics. Talking about which, he has also the responsibility of some of our growth initiatives, including asset analytics.

Greg B: I might say that something that comes out from James is he is a proponent of commercial innovation and commercial models and engineering. I use the term engineering, the way in which we monetize and bring us some new learnings from that that I'm enthused about.

Eric B: Thanks, Jay. Next question comes from Michael Funk from Bank of America.

Michael Funk: Yeah, thank you for the questions. So, Nicholas, I think your prepared remarks, you mentioned that the new administration, there might be some shift in infrastructure spending. So, for example, towards roads and away from other projects.

Could that shift create an air pocket at all in demand from those customers as they also shift their focus, their priorities, maybe from one project to another, and just the uncertainty created by that potential shift? Should we expect any kind of air pocket in demand?

Nicholas C: I do not think so for the simple reasons that the engineering firms in the U.S. already are quite busy, and their backlogs are extending one year, if not more, out. So, it's going to be a shift in terms of projects, new projects potentially coming in.

But there's a bit of a lag before it hits actually the engineering firms and then their use of our software. Now, we are very well positioned to benefit from any infrastructure investments, regardless of the infrastructure assets—whether we're talking about more traditional energy productions or renewables, whether we're talking about roads as opposed to railway, major expansion of airports. Across all infrastructure assets, we have a very broad portfolio of products to help.

Michael F: Great. Thank you, Nicholas. Thank you, Greg.

Greg B: Yeah, I'll just say generally, I think the expectation continues to be that the spending is pushed further out for longer, which corresponds to the capacity in any case.

And there is discussion in Congress and at the federal level in the U.S. of the next infrastructure initiative following the IIJA. And, of course, our users are very experienced readers of these tea leaves, and they have great confidence.

Michael F: Great. Thank you both.

Eric B: Thanks. The next question comes from Alexei Gogolev from JP Morgan.

Alexei Gogolev: Hello, everyone. I had a question about the competitive environment. Maybe you could talk about how it has fared in the last 12 months. We've noticed that some of your competitors claimed that they've taken some share from you. So, could you maybe comment on that and talk about what you see evolving across different markets?

Nicholas C: I think it's clear that for those competitors who are very focused on commercial facilities, for example, because of the slowdown, they've been trying very hard to get into infrastructure, civil infrastructure in particular.

You can see our growth, which is very consistent. We're not losing share to anyone. We've seen some competitors doing some desperate measures, for example, dropping their price quite a lot. And it was quite reassuring to see that our accounts are sticking with us, that this is not enough of an argument for them to use competitive products.

Look, when it comes to infrastructure, there's just no other competitor out there that is that dedicated to infrastructure and has that breadth and depth of portfolio of products like we have. The fact that we remain very focused over the past few years is definitely paying dividends—no pun intended.

Alexei G: Thank you.

Eric B: Great, thanks. The next question comes from Joshua Tilton from Wolfe Research.

Joshua Tilton: I kind of have a high level one, maybe just backing up a little bit. I know a bunch of questions have been asked. But maybe just everything you spoke to on the prepared remarks—the election, the changes, what's going on in China—it feels like there's a lot of moving pieces.

And I guess if we were to simplify all the moving pieces that you see heading into this year, do you believe that the demand environment is more, less, or the same favorable in ‘25 than it was in ‘24? And I guess I’m just trying to understand how we’re supposed to interpret all the different moving pieces as it pertains to demand in the business environment for you this year.

Greg B: Well, I think the overall picture is that things are full up. The infrastructure engineering community, it could hardly be any busier elsewhere. And that won’t change foreseeably but in China. I have to say how disappointing China is. Qualitatively, this is the first year, 2025, in which we do not have an internal plan to grow or even maintain our level of business in China.

Every other year, we haven’t counted on it, but we have believed it would be possible. Because of the good match between our products and the demand in China, we have hoped we could at least sustain it. Our plan for this year is a plan to continue to lose business in China. It’s at the level where the state-owned enterprises, the CEOs, have to personally vouch for any use they make of American software. They have to attest that there isn’t a domestic alternative. It’s never been that bad before. And in that environment, we can’t hang on.

So, that is, I think, the principal difference. That’s the half point at the top. There is not a way that we can see to maintain our business in China during 2025. Who knows what might happen geopolitically. I suppose we should put nothing outside the realm of possibility. But we don’t see any possible way to sustain that in 2025. Elsewhere in the world, that’s not the picture at all.

Nicholas C: Elsewhere in the world, Josh, it’s very consistent and it’s very favorable. That’s to summarize. Consistent, favorable demand backdrop. The only exception being in China.

Joshua T: Super helpful. Maybe just a very quick follow-up on the China thing. And I just want to make sure I understand that here correctly. In the past, the China headwind has been mostly ARR and the choice perpetual. And now, going forward, you’re saying it’s not just that there’s a headwind to total business because they are choosing to look for local alternatives instead of U.S.-based software?

Greg B: Well, not all the business there is state-owned enterprises. And there are highlights in Hong Kong and SMB. But the economy there and the change in spending is also notable. We'd be talking about that alone if it weren't for the geopolitical issues as well. So, combined this year, realistically, we can't even get back to a level in China.

Joshua T: Makes sense. China, you're missing out. Thank you, guys.

Greg B: Well, it's still 25% of the world's infrastructure engineering, and we still have a good mix between our products and demand there. We just need to get somehow more creative yet. And that's where James, with on-the-ground experience in China and different business models—it's one of his projects to consider how we get ours in the long term there.

Eric B: The next question is going to come from Matt Martino from Goldman Sachs.

Matt Martino: Yeah, thanks for squeezing me in here, guys. Greg, Nicholas, you guys made reference to the launch of OpenSite+ and some of the AI-powered features there. It's clear Bentley's starting to infuse AI across the product portfolio. So, I'm wondering to what extent these new AI-powered features are starting to benefit your renewal activity and how you think about the opportunity more holistically to monetize your growing AI portfolio over time. Thank you.

Nicholas C: I think the revenue impact is going to be very marginal this year when it comes to OpenSite+ because the product is in early access, and we're planning GA towards the end of the year. Where we're having or generating traction with AI is with asset analytics—so, as AI applied to asset operations.

We think the opportunity is big on both fronts. AI for asset analytics, for asset operations. This is a, we talked about it at some point, a potential "on top" TAM of nine digits. And then, when it comes to AI for, let's say, design, we are just at the beginning of this. But we think this has a lot of potential not just to sustain our growth, but in the long term to even potentially accelerate it.

Matt M: Thanks, guys.

Nicholas C: Thank you.

Eric B: Thanks. The last question comes from Blair Abernethy from Rosenblatt Securities.

Blair Abernethy: Thanks, guys. And nice quarter. I just wanted to ask you maybe dig in a little bit more on the data center opportunity, as it sits today. Is it clearly still a lot of spending going on here in North America? Maybe talk about what you're seeing overseas. And where does this really show up in your numbers? Is it on the commercial side or is it on the infrastructure side or both? Just kind of give us a little more color on the data center side?

Nicholas C: Maybe all of the above. Because data centers are a bit like mini cities. Besides the building itself, there is an entire infrastructure around it for transportation, for electricity, for water. So, this obviously can become a growth opportunity by its own, but indirectly as well, because there is so much electricity, which is needed in order to power those data centers. It can lead to extension of the transmission grid, which we would be benefiting from as well.

We can even help, by the way, with our Seequent software to help understand where aquifers are in order to be able to tap into underground water to help for the cooling of data centers. So, we can help all of the above. We can also help underground and we can help across the asset lifecycle. We have software for the design, but also for the construction and then obviously for the operations of, let's say, the system of systems, these mini cities that data centers represent.

Greg B: But all of that, Blair, would not appear in commercial facilities. It would appear in industrial, resources, and public works and utilities among our sectors.

Blair A: Great. Thank you.

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

Greg B: Thank you.

Nicholas C: Thank you.