Bentley
Advancing Infrastructure

Bentley Q2 2026 Earnings Call Transcript

Eric Boyer: Good morning and thank you for joining Bentley Systems' Q2 2026 results.

I'm Eric Boyer, Bentley's Investor Relations Officer.

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

This webcast includes forward-looking statements—made as of August 6, 2026—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 on Bentley Systems' Investor Relations website at investors.bentley.com on August 6, 2026.

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: Welcome and thanks, as always, to each of you for your interest and attention.

Bentley Systems' positively exemplary operating results for 26Q2, and the year as we see it, accord with our expectations to sustain foreseeably our dependable double-digit growth record.

Early in 2025, I quantified that our outlook range for last year would serve to at least double, over the five years following our 2020 IPO, the key financial metrics of ARR, revenues, profitability, and (SBC-burdened) free cash flow, and it can be confirmed that we met those thresholds.

In now updating this and looking forward, a significant factor in my confidence is the boundless regeneration of demand within our infrastructure engineering end markets, with high economic returns globally and across sectors on investments in resilience, capacity, and self-sufficiency.

Within these priorities, relative proportions fluctuate—presently most benefitting our offerings for integrated grid and for subsurface resources. But infrastructure engineering consumption has tended overall to remain predictably consistent—perhaps due to the constancy of engineering resource constraints.

To finally alleviate this engineering capacity bottleneck—and thus further realize infrastructure investment's potential—through AI enablement is everyone's appropriate priority, as the resulting benefits from improved infrastructure engineering throughput and quality will be broadly shared across project delivery firms and infrastructure owner-operators—and all of us as their constituents.

Bentley Systems will especially benefit as our successive and multifaceted hybrid AI innovations continue for years to come onstream.

I expect the established attended consumption of our software to continue growing, as every day for every engineer will become increasingly valuable, at the helm of ever more specialized AI-leveraging applications.

But this business model will, in due course, be supplemented and potentially multiplied by monetizing agentic API consumption of our modeling and simulation software, primarily to optimize designs at machine speed, accelerating the proprietary AI strategies of infrastructure engineering firms.

And our emerging asset analytics offerings, monetized through asset consumption subscriptions per asset, are breaking through to finally leverage digital twins in operations and maintenance for infrastructure owner-operators.

Adding to my confidence in looking forward, these incremental AI-led consumption opportunities are uniquely accessible to Bentley Systems by virtue of our established positioning as the major comprehensive infrastructure engineering software provider across both the leading infrastructure project delivery and owner-operator enterprises. We have earned our standing as trusted digital quartermaster for each of these major infrastructure engineering organizations over decades of proactively embracing and incorporating potentially disruptive technologies and business models so that no one ever needs to start over in order to stay ahead of the innovation curve.

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In my now long experience, the winning strategy for every technology opportunity is hybrid, integrating, in this case, AI advances within accretive overall continuity.

Facilitating progressive enterprise AI adoption is the invigorating current priority for our thousand success-force engineers embedded in E365 accounts.

Last quarter, I talked about AI's auspicious economic leverage for engineering firms, whose work pre-AI has been constrained by the limiting supply of infrastructure engineers.

Underscoring our incumbency advantage in helping these firms to leverage their engineers with AI-agentic assistants to perform more work and particularly to optimize designs, 470 of the 610 *Engineering-News Record* Global Top Design Firms, ex-China, are BSY accounts, averaging ARR of nearly $1 million each.

I will now similarly quantify our comparable point of departure for the leading infrastructure owner-operators.

For decades, the authoritative global ranking of the largest owner-operator organizations, measured by their fixed tangible asset value, net of depreciation, has been the annual Bentley Infrastructure 500 top owners rankings. The upcoming 2026 BI 500 will be published on bentley.com.

The most recent 2025 BI 500—it no longer includes Russia—own and manage about $21 trillion of net infrastructure assets.

Not quite half of these top owners' assets are in the public works/utilities infrastructure sector, followed by industrial and then resources sectors, which together comprise most of the balance.

In net asset proportions, the top owners are located about half in the Americas, followed by EMEA and Asia-Pacific.

In particular, the 43 top owners in China account for just under 10% of these assets, and because it's with Chinese state owners that we encounter unique geopolitical obstacles currently, to quantify BSY penetration, the following charts are ex-China.

Over three-quarters of the ex-China top owners, managing well over 80% of such infrastructure assets, are BSY accounts.

Excluding top owners in the commercial/facilities sector, where we are less focused, 90% of ex-China top owners' infrastructure assets are managed by BSY accounts.

153 ex-China top owners, holding the majority of these accounts' net infrastructure assets, have already adopted Bentley Infrastructure Cloud, with most using ProjectWise. They are thus accumulating engineering data for delivered projects, which will make AI-enabled digital twins more valuable.

In quantifying BSY spending by these top owners, I use current-year runrate, which, beyond ARR, includes our relatively minor amounts of license sales, professional services, and other subscriptions, to fully capture the offerings, which are exclusive to owner-operators, of Cohesive and for asset analytics.

These 346 top owner accounts spend annually over $330 million in runrate with us, averaging about $1 million per year for those not in the commercial/facilities sector, and collectively representing about 20% of our overall business.

Accordingly, annual BSY expenditures currently average $21 per million dollars of the $15.5 trillion dollars of net infrastructure assets owned by these 346 ex-China top owners who are BSY accounts.

In introducing and fully developing infrastructure AI, it is a tremendous and literally unique advantage for Bentley Systems to be in the pole position with virtually all of the infrastructure engineering organizations with the most to gain, in both project delivery and operations and maintenance. For every top design firm and top owner account, infrastructure engineering—and, hence, Bentley Systems—are mission-critical factors of their production.

It is certain that in each case, their current expenditure levels on software, in proportion to their respective engineering labor costs and asset values, will be multiplied by orders of magnitude as AI is inexorably and advantageously integrated to improve infrastructure capacity, quality, and economics.

In sum, I believe this enterprise-account springboard will continue, foreseeably, to improve Bentley Systems' own economics and growth prospects.

So, at this point in time, when investable sectors seem ever more subject to comparisons from first principles, let's update our own point of departure.

Free cash flow as a valuation benchmark has the advantage of meaningful commonality across investment sectors.

However, it's uniquely salient for software in particular, given the opacity of 606 subscription accounting—other than for BSY, with our consumption-dominated revenues being recognized primarily ratably, to the virtual exclusion of multiyear noise.

Here is shown the past five years of BSY's free cash flows, aggregated within trailing four quarters (ending in each Q2), for comparison to the latest for 26Q2.

Over this period, these annual cash flows compounded at an average rate of 14.7% annually to reach $498 million over the last 12 months.

For mature software companies, another rightful valuation consideration is stock-based compensation, given its prevalence and typical magnitude. I don't consider that cash flow should be counted as "free" to the extent that it needs to be expended for stock repurchases to offset resulting dilution.

Shown here as, accordingly, offsetting free cash flow is BSY's operating—that is, not acquisition-related—stock-based compensation for these periods.

The remainder is BSY's truly free cash flow, as "burdened" by operating SBC.

So-burdened free cash flow reached $426 million over the last 12 months, having expanded over this period at a CAGR of 16.7%.

Our consistent low-double-digit annual growth rate in ARR, compounded by our established annual improvement of about 100 basis points in (AOI less operating SBC) margin, served indeed to double—over the last four years—this valuation metric, which, to me, seems most economically appropriate to us shareholders.

And consistent with Bentley Systems' conscientious stewardship of stock-based compensation, over most of our public history, we have tended to allocate free cash flow to stock repurchasing in approximate keeping with annual requirements to offset SBC dilution.

Here are the quarterly expenditure amounts for all repurchases, including de facto repurchases associated with net distributions, through this period up until 25Q3.

Even though BSY has had a discretionary share repurchasing authorization throughout, there hasn't been a very significant opportunistic, that is, inverse correlation, between our share price and overall repurchase expenditures.

What changed since late last year is that, by then, we had resolutely worked down the debt leverage we incurred to finance the platform acquisitions of Seequent and Power Line Systems in 2021 and 2022, to a tolerably optimum range of about 2x. This has enabled us since then to allocate more capital to discretionary stock repurchases without impinging either on ongoing cashflow funding for programmatic acquisitions, nor on balance-sheet preparedness for potential larger-scaled platform acquisitions.

What eventuated during 26Q2 was a stock price, which, at our marginal financing cost, enabled repurchasing to be accretive, just on financial fundamentals, to a significant and reasonable basis for valuation. We variously repurchased 3.1 million shares during 26Q2, and, subject to remaining within an optimal leverage range, I expect us to continue to responsibly act upon any such opportunities going forward.

Indeed, the net result of this SBC and corresponding repurchasing discipline over this period has been to avoid share dilution.

Shaded here at top is the portion of fully diluted shares attributable to our convertible debt. In fact, the redemption of our 2026-maturing convertible debt during 26Q1 reduced our fully diluted share count by about 3%, as will presumably recur in 27Q3 with the maturity of our remaining convertible debt.

So, reflecting a compounded average growth rate of -1% through this period, at the end of 26Q2, our fully diluted share count was down to 319 million shares.

And we thank you for being among, or interested in becoming, or informing, those of us who are the holders of these shares.

And now, over to Nicholas, and then Werner to cover this quarter's developments.

Thank you.

Nicholas Cumins: Thank you, Greg.

We had another strong quarter, executing consistently against a backdrop that keeps working in our favor: the world needs more infrastructure and resources, and it needs them faster than they can be delivered. Everywhere we look, across accounts large and small, the constraint is the same. There are not enough engineers. Which is why engineering productivity—making every engineer both more efficient and more effective—is at the core of our AI strategy.

Let me pick up the AI thread from last quarter. At the end of 2025, we launched our Infrastructure AI initiative. And last quarter, I reported that leading engineering firms and owner-operators were asking us to instrument our applications to power their own AI-driven workflows. I also shared that we had released our first MCP server for STAAD. This quarter, I want to show you how far we have come, and why we are confident in the approach.

Our conviction is that, when it comes to mission-critical infrastructure engineering, our applications and today's AI models are far more powerful together than apart, because each does something the other cannot. Our applications are deterministic. They perform the engineering itself—the modeling, the analysis, and the simulation—and that work is trusted because it has been proven over decades; embedded in workflows across infrastructure value chains. AI models are different in nature. They are probabilistic. What they contribute is natural language processing, high-level reasoning, and the ability to break a problem down and generate the instructions that our applications then execute with engineering precision. The MCP server is the interface between the two, turning the AI's instructions into real, validated work inside the application.

One point I want to stress: we are deliberately open. This is not a walled garden. Our accounts can pair our applications with whichever AI assistant and whichever model they have standardized on, whether Bentley Copilot, Anthropic Claude, Google Gemini, or OpenAI ChatGPT. Our aim is to be the trusted engineering layer beneath all of them, whichever AI model happens to lead at a given time.

Now to the progress. Last quarter, we had released a first MCP server for STAAD. Since then, we have released five more across Bentley Open applications, with more to come.

The response from our accounts has been very positive once they grasp what is possible. This is still early, and a great deal of our work today is education, on two fronts.

First, we are helping users cut through the considerable noise around AI, and we have made this a priority, with several campaigns underway to show what is genuinely achievable now.

Second, we are staying close to our accounts as they adopt, and here, our application engineers and solution architects are proving invaluable, serving in effect as forward-deployed engineers helping our accounts evaluate and integrate these new capabilities into their workflows.

Finally, on the commercial model. As discussed last quarter, our next steps were to instrument more applications and to validate the commercial model for this new usage pattern. The first is well underway. On the second, our priority remains, in order, adoption, exploration, and validation, with monetization to follow, and we continue to be transparent with our accounts about that sequence. Earning adoption and trust first is precisely what will let us capture our fair share of the value that will be created as our applications are used at machine speed with AI.

Now, turning to our business highlights. Our year-over-year ARR growth for Q2 accelerated to 12%.

Our net revenue retention rate remained high at 109%, consistent with previous quarters and underscoring the stability and growth within our existing accounts.

Our Enterprise 365 commercial program continues to drive steady growth. We were particularly pleased with our renewals in the quarter. As Q2 is typically our second-largest quarter for renewals, this strong performance gives us confidence for the rest of the year.

New logos contributed again 300 basis points of ARR growth, primarily within the SMB segment.

Through Virtuoso, our flagship commercial program for SMB accounts, we again added over 600 new logos in Q2.

The underlying SMB market sentiment remains positive, with accounts reporting healthy project backlogs extending well into 2027. Accounts are increasingly viewing Bentley technology as part of their business backbone, rather than point solutions for specific projects, which validates our cross-selling and up-selling efforts.

Turning to our performance by infrastructure sector. Resources was our fastest-growing sector in total, driven by mining once again, with strength across geographic regions. The fundamental drivers for this demand are macroeconomic and long-term. Countries around the world are increasingly prioritizing self-sufficiency given ongoing geopolitical tensions and supply chain disruptions. In addition, the global push for electrification—including to power AI data centers—also depends on securing critical minerals.

Our largest sector, public works and utilities, delivered another strong quarter, driven by sustained infrastructure investment worldwide.

Within public works and utilities, Power Line Systems—or PLS—continues to be the primary driver of growth in our electric grid business, benefiting from strong global demand for grid transmission, capacity expansion, and resiliency. I will take a deeper dive into PLS and our broader electric grid portfolio shortly.

Growth in the industrial sector continued to be solid, while commercial/facilities remained relatively flat.

Turning to our tone of business by geographic region.

In the Americas, our largest region, the U.S. continued to deliver strong growth. The underlying fundamentals of our accounts remain very strong, characterized by double-digit backlogs and a bullish outlook on their long-term growth, driven primarily by transportation, water, power, and data centers. Public funding at the federal and state levels remains robust, supplemented by a healthy influx of private capital funding.

Latin America delivered another very strong quarter led by mining and an increased focus on transportation in the region.

EMEA delivered a solid quarter as the overall region remains well-invested. The quarter benefited from strong renewals at a number of large accounts. Large ongoing national infrastructure programs are driving demand in the U.K. Fundamentals in Europe are also strong. In Germany, while the €500 billion infrastructure fund is in place, actual deployment has been slow, as early funds are backfilling existing deficits, delaying the impact on new projects. In the Middle East, despite the ongoing conflict, accounts have returned to work, consumption has rebounded, and deals are progressing again.

Asia Pacific delivered strong growth, with Australia leading the way as performance bounced back strongly, followed closely by India. China, representing only about 2% of ARR, continues to operate against the same economic and geopolitical headwinds. Across most of the region, rail is a massive long-term opportunity with major projects in Australia, India, the Philippines, and Indonesia. Offshore oil and gas is also an investment priority across the region, driven by major field developments in Southeast Asia and offshore redevelopment in India. We are well-positioned for this work with our SACS offshore design and analysis engine.

Now, I would like to highlight the continued outperformance of our Power Line Systems.

PLS is the gold standard for the design and analysis of overhead electric power transmission and distribution lines and their structures. It is part of a broader electric grid portfolio—encompassing OpenUtilities, Substation+, and SPIDA—that, together, allows us to address the full spectrum of grid infrastructure from transmission and distribution to substations.

Looking back four and a half years since the acquisition, PLS has become a vital part of our core business and the foundational pillar of our electric grid offering. We have also seen significant growth internationally, leveraging Bentley’s established global reach and go-to-market engine. In fact, PLS revenue outside of the U.S. is now as large as the entire PLS business was when we acquired it in 2022.

Reliable energy delivery is more critical now than ever, as electrification and the rapid expansion of AI data centers place unprecedented stress on the global grid. In the U.S. alone, the network requires an estimated 35 gigawatts of additional capacity by 2030. PLS software is instrumental in bridging this power gap.

We are seeing our users apply PLS at impressive scale to overcome real-world physical and operational challenges. For instance, Exo digitally stress-tested century-old transmission towers spanning the Ohio River, allowing the utility to engineer targeted stabilization that saved $80 million and avoided up to a decade of permitting delays. And when 120-mile-per-hour winds destroyed a transmission corridor in Illinois, Toth & Associates used PLS-CADD to redesign the network digitally, accelerating the rebuild to restore power 18 days ahead of schedule.

The vibrancy of this ecosystem was on full display during Q2 at our biannual PLS user group conference in Madison, Wisconsin, which drew more than 500 attendees from nearly 300 companies—including over 90 utilities—representing 20 countries. A central theme of the conference was AI, where we announced three new MCP servers for PLS products, including PLS-GRID.

This is an important milestone because it demonstrates how, with MCP servers, we can empower AI assistants to not only interact with engineering applications, but also directly with rich engineering data. By connecting AI assistants to PLS-GRID via MCP, users can query vast digital twin repositories in natural language—asking questions like "Find the 100 weakest structures in my entire grid," or "which transmission line spans will thermally limit the interconnection of the proposed AI data center?" Unlocking this engineering data directly is precisely the direction we are taking across the broader Bentley Infrastructure Cloud, enabling our users to extract actionable intelligence across their project files and asset information at machine speed.

With PLS as a critical component of our electrical grid offering and very much part of our core now, Bentley is uniquely positioned to continue to benefit from the massive investments required to power an electrified future.

In summary, Q2 was a strong quarter, and we enter the second half of the year with great confidence in our disciplined execution and market fundamentals.

And with that, over to you, Werner, for a detailed review of our financial results.

Werner Andre: Thank you, Nicholas.

We are pleased with our performance through the first half of the year. Our second quarter results extend the momentum from the first quarter and set us up well for the balance of 2026.

Total revenues for the second quarter were $411 million, growing 12.8% year-over-year, and 12.2% in constant currency. For the first half of the year, total revenues increased 13.6%, or 12.1% in constant currency.

Our performance continues to be led by our mainstay subscription revenues, which represented 92% of total revenues during the quarter. Subscription revenues increased 13.6% year-over-year, or 13% in constant currency, reflecting continued strengths across both our E365 and SMB initiatives. For the first half of the year, subscription revenues increased 14.1%, or 12.6% in constant currency.

In our smaller and less predictable revenue streams, services revenues increased 9.4%, or 8.7% in constant currency, driven by continued improvements in Maximo-related services activities within Cohesive, extending the recovery trend we discussed last quarter. For the first half of the year, services revenues increased 18.8%, or 16.5% in constant currency.

Perpetual license revenues for the quarter were approximately $10 million, down roughly $0.5 million year-over-year, and approximately $19 million for the first half, down about $2 million. Perpetual license sales remain a very small part of our business with approximately 2% of total revenues.

As of June 30, our last 12-month recurring revenues were $1.486 billion, an increase of 13.5% year-over-year, or 11.8% in constant currency, and represented 93% of total revenues.

Our last 12-months constant currency account retention rate remained consistent at 99%, and our constant currency net revenue retention rate remained at 109%, consistent with recent quarters. The combination of our high retention rates and new business momentum gives us confidence in the continued durability of our recurring revenue growth.

Now, turning to ARR. We ended the second quarter with ARR of $1.536 billion at quarter-end spot rates.

On a constant currency basis, our year-over-year ARR growth rate was 12% and our sequential quarterly growth was 2.9%, all organic, and in line with our expectations for the quarter. We continue to expect our quarter-over-quarter ARR growth seasonality to be similar to 2025, and thus organic year-over-year ARR growth rates to be relatively stable during the year.

Our GAAP operating income was $89 million for the second quarter and $215 million for the first half. As I've discussed previously, our GAAP results can be impacted by deferred compensation plan revaluations and other acquisition-related items.

Moving to our primary profitability measure, adjusted operating income less operating stock-based compensation, or AOI less operating SBC.

AOI less operating SBC was $116 million for the quarter, with a margin of 28.3%, and $257 million for the first half, with a margin of 30.8%. This performance was in line with our expectations, with our first-half margin trailing the prior year as we weighted operating investments earlier in the year, compared to 2025.

Our first-half G&A also reflects our new enterprise-wide finance and quote-to-cash platforms, which went live during the second quarter, driving a step-up in costs around go-live that was contemplated in our outlook. Notably, we did not adjust these costs out of our profitability metric—we absorbed them within our margin commitment—underscoring the quality of our first-half performance while positioning us for greater efficiency and scale. We remain well positioned to deliver on our annual constant currency margin improvement.

Our free cash flow for the quarter was $64 million, and $252 million for the first half. This result was in line with our expectations and reflects two key factors we signaled on our last earnings call.

First, our 2025 free cash flow benefited from exceptionally strong collections at year-end, which, as anticipated, created a tougher year-over-year comparison in the first half—most pronounced in the first quarter.

Second, our plan to weigh operating expenses more toward the first half this year is reflected in our year-over-year comparisons for both profitability and cash flows.

As a result, and consistent with the framework we shared in our outlook, first-half free cash flow represented approximately 47% of our full-year outlook—in line with the 45% to 50% range we guided for the first half. Looking beyond quarterly timing: on a last 12-months basis, free cash flow of $498 million was up 15%, and we remain on track to meet our full-year free cash flow outlook of $500 million to $570 million.

We continue to execute a disciplined and balanced approach to capital allocation. During the quarter, we closed on a new $550 million Term Loan A under the accordion feature of our credit facility. This transaction was completed at attractive terms and used to repay outstanding borrowings under our revolver, lowering our interest costs. This provides ample capacity to support our strategic priorities—including addressing our mid-2027 convertible notes maturity, while also funding potential programmatic acquisitions, ongoing share repurchases, and dividends.

During the first half of the year, we reduced net debt by $32 million and returned capital to shareholders by deploying $155 million for share repurchases—up meaningfully from the prior year—and $42 million for dividends.

Our balance sheet supports significant strategic flexibility. At quarter-end, capacity under our credit facility was $1.2 billion, and our net debt leverage was 1.9 times adjusted EBITDA, consistent with the prior quarter.

We continue to actively manage our interest rate exposure. Our safeguards include the low fixed coupon on our remaining convertible notes and our $200 million interest rate swap, expiring in 2030.

Overall, our performance through the first half of the year compared favorably with our expectations. We delivered consistent growth in revenues, recurring revenues, and ARR, while maintaining disciplined profitability and cash flow generation to remain comfortably within our full-year financial outlook. This year, that outlook also includes a range for AOI less operating SBC, reflecting the annual constant currency margin improvement I referenced earlier.

With regards to foreign exchange rates: through the first half, the U.S. dollar strengthened relative to the exchange rates assumed in our 2026 annual financial outlook, resulting in approximately $5 million less revenue from currency—approximately $2 million in the first quarter and $3 million in the second.

If end-of-July exchange rates were to prevail for the remainder of the year, our second-half revenues would be negatively impacted by an incremental $8 million to $10 million, relative to the exchange rates assumed in our 2026 outlook.

And with that, over to Eric for Q&A. Thank you.

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Eric B: Thanks, Werner. Before we begin, I just wanted to remind everyone to please limit yourselves to one question today. And with that, our first question comes from Matt Hedberg from RBC Capital Markets.

Thanks, Werner. Before we begin, I just wanted to remind everyone, just limit themselves to one question. And with that, our first question comes from Matt Hedberg from RBC Capital Markets.

Matt Hedberg: Oh, sorry. Sorry about that. Can you hear me okay now?

Nicholas C: Yeah.

Eric B: We can hear you.

Greg B: Yes.

Matt H: Excellent. Thanks for the question. Congrats on the results. And the ARR growth at 12% was certainly impressive, the acceleration versus last quarter. I guess, what are the keys now as we get to the back half of the year on sustaining that growth or even improving?

And I know we've talked about maybe getting to the high end or above that. And at 12% you're close to that. But I guess I'm wondering, continued success from asset analytics is our macro element. Anything that could kind of help us on that trajectory?

Nicholas C: Yeah. Thank you, Matt. So yes, definitely, we were quite pleased with the performance in Q2, consistent with Q1, an acceleration nevertheless because of momentum in resources, which is still our fastest growing sector, and in particular in mining, and then just general strength in public works/utilities, which includes electric grid- but we've seen strength across the sector. So, the momentum is definitely there.

For us to get to the upper part of the range, we would need this momentum to continue, and there's no sign why it would slow down. But we would also need to do an acquisition potentially. And yes, bringing some big deals with asset analytics, which is a rather lumpy business, as we discussed in previous calls, where we depend a lot on big deals.

Greg B: So, I'd say each of those factors that Nicholas mentioned are relatively likely, but they all have to happen together to wind up at the top end of the range. And that's what we hope.

Eric B: Thanks, Matt. The next question comes from Joe Vruwink from Robert W. Baird.

Joe Vruwink: Great, thanks. The discussion on your owner customer base I thought was interesting, and I know it's not the same basis for comparison that you highlighted last quarter with project delivery firms and your earn rates with those customers. But just the $21 in earn rate for Bentley relative to the million in assets, where do you think that can go?

And I guess inherent in the question is you've grown your portfolio of solutions that are relevant for owners quite a bit over the last 15 years, and so do some of the recently acquired IP, or just the way that infrastructure cloud is evolving, unlock a much bigger opportunity with that side of your customer base?

Greg B: Well, it's all of the opportunity with infrastructure and AI to improve the quality, resilience, the lifecycle of the infrastructure assets. The owner-operators benefit from better CapEx, which optimized designs will provide in terms of constructively less subsurface risk and so forth. Things we're working on through our open applications. But, just as you say, the biggest opportunity is in operations and maintenance, and especially for optimizing that to do only what's needed and what works, and for AI to help discern that by operating on Bentley Infrastructure Cloud and using the as-operated inspection and monitoring that's made possible through asset analytics.

So, we think we've closed that circle conceptually, leaving a lot of opportunity. And we should monitor that $21 per million dollars of net assets, just as we do on the—correspondingly on the engineering firm side to see how they're going to go about improving their economics by spending more on software and AI together, as Nicholas described.

Eric B: Thanks, Joe. The next question comes from Jason Celino from KeyBanc.

Jason Celino: Great. Hold on one second. Okay, there we go. Thank you for the update on PLS. I think it's a business that we often kind of forget about. I think when you originally acquired that asset, it was kind of growing similar to Bentley's corporate average, but it's margins for meaningfully better. And then, I think entering the year, when we thought about permitting reform, that was one of the businesses that could really benefit from it.

Are you able to maybe provide an update on the financial profile of what PLS looks like today? And if you've seen any acceleration in the business from any type of permitting reform? Thank you.

Nicholas C: So, actually, PLS has been a growth engine from—almost from the time of the acquisition. And very consistent. And the growth has been both in the U.S. and internationally.

You heard in the prepared remarks that now, our business with PLS outside of the U.S. is as big as the entire PLS business was when we did the acquisition. So, we grew very well outside of the U.S., but in the U.S. as well. And in the U.S, we continue to grow despite the lack of permitting reform, because there's a lot of investments going into the existing grid, just to make sure that it is capable of keeping up with the demand for more electricity, that it is resilient in the face of extreme weather events, etc.

And, therefore, we are well positioned to see our PLS ARR even accelerating, as permitting reform goes through. And permitting reform, there's always a lot of discussion. It is an essentially bipartisan topic. Everybody wants it. But we need Congress to get its act together, no pun intended. And conversations have resumed about permitting reform.

And a fantastic vehicle for permitting reform would be the new surface transportation bill, which has been passed by the House of Representatives but is now a bit on hold until a bigger decision is made. But there's just a lot of activity for permitting reform in the U.S. and when—if and when, I think it's more about when, this goes through, then this will help further grow our PLS business, which is already doing very well.

Jason C: Thank you.

Eric B: Thanks, Jason. Next question comes from Daniel Jester from BMO.

Daniel Jester: Hey. Good morning. Thanks for taking my question and sorry, my camera, for some reason, is not working. So, Greg, in the last couple quarters, you've talked about the accelerating of the art of what's possible in AI. And in the prepared remarks today, you commented about the opportunity and what you're seeing in your customers, I guess, new MCP servers, you've got a lot of opportunity here. I guess, from a customer enablement perspective and their ability to harness these tools, are—

Nicholas C: Oh, we lost you.

Greg B: I think Daniel was going to ask where do they stand? And that is—my point was we're embedded closely with the largest engineering firms and owner-operators whom are, especially the engineering firms, in a hurry because of the resource capacity constraints. They could do more business if they could improve efficiency and effectiveness, as Nicholas said. So, they're in a hurry. But they understand the best way to get there is a hybrid approach where their AI assistants, their own agents, would take advantage of established functionality. And our education is how to put those two together into a hybrid approach. I mentioned hybrid particularly as something which, over my career, I've seen repeatedly be the result of innovation waves, is that there isn't something that's going to take over one particular phenomenon, but a combination together.

And in addition to the nature of the hybrid Nicholas described, of inference on the part of assistance calling established deterministic engineering logic, another aspect of hybrid that I expect to come about is in the computing form factor, which will include some of, a lot of, or choices for what we could call sovereign AI computing on local and edge devices because, in the case of engineering firms, of the sensitivity of their intellectual property, in the case of owner-operators, of the cyber risks involved.

So anyway, there are hybrid directions are going to be where things settle out in the long term. And you probably were asking me about the long term, given my longevity. Thank you, Daniel.

Eric B: Next question comes from Siti Panigrahi from Mizuho.

Siti Panigrahi: Great. Thank you. Just to continue to the prior questions, Daniel's question maybe, I'll extend that. I mean, the opportunity you talked about AI, can you give us more concrete signal, even directionally, whether this AI or the commercial model API consumption, all this, when do you think is going to—you can monetize it more? End of ‘26 or ‘27, even kind of thing?

And in that context, you talked about the data and interface, whether Claude or ChatGPT. Does it help Bentley Systems as a platform, or does it create opportunity for standalone companies to pipe the data into these interfaces? How do you differentiate there when Claude or ChatGPT become the integration layer?

Nicholas C: All right. So, let’s go after these different questions one by one.

So, the signals we’re getting from the accounts we’re engaging with on this novel way of using our engine applications, the signal is very positive. The effort on our side is really to cut through the noise, because there’s so much noise around AI. Obviously, every software provider under the sun is approaching the different accounts talking about their own AI capabilities, so we need to cut through the noise. And then, when infrastructure organizations realize what we’re talking about and the potential there, then the reaction is very positive. We hear words like, “oh, this is a game changer.” You know, “this is changing everything.” “There’s a lot of value that’s going to be created” and so on and so forth. So, that’s very encouraging.

And, therefore, we are really sticking to the phasing we talked about before, which is: our number one priority is adoption, exploration, validation—making sure that the accounts are aware of those capabilities, they’re really adopting those capabilities, and they are validating the potential value there. And monetization next.

And we’re very transparent about that exact sequence with our accounts, saying at some point, of course we will need to monetize. And the reaction from the accounts on the monetization is a shared understanding that, indeed, the traditional way for us to monetize, which is attended consumption with E365 or user base subscriptions—and it’s all about users—wouldn’t quite work going forward when so much value is going to be created with AI itself interacting with our applications and using them at machine speed. And, therefore, the metrics have to change.

So, we’re taking this time of adoption, exploration, validation of our applications as a time also to validate what is going to be the potential commercial model. So that, when we start to monetize, there’s great receptivity from our accounts on the way we’re going to we’re going to monetize that. We’re not planning to monetize this year. We’re planning to start monetizing next year. And you should expect us to monetize in a very reasonable way. What we don’t want is a big price tag to become suddenly an obstacle for infrastructure organizations to use these capabilities. It would be really going against what we’re trying to achieve here. We want to unlock a lot of value, and we want to unlock a lot of value for all the players of the value chain - from the end clients, because they will end up having much better designs because they’ve been optimized at machine speed, for the engineering firms themselves, because potentially, this is the opening for them now to evolve also their commercial model and capture a fair share of the value that is going to be created, and for us as well as provider. So, we’ve been we’ve been very thoughtful, very diligent on how we’re introducing these capabilities.

And then, to your last question about us having this very open approach, and letting our users use whatever AI systems they want, and using those assistants to interact with engineering data that is coming from our systems or third-party systems: we absolutely want that. We welcome that. But what we’ve learned with all the infrastructure organizations we’ve been engaging with, in the context of the Infrastructure AI Initiative, is that we need to be ready for all sorts of permutations in how exactly our applications are going to be used, how Bentley Infrastructure Cloud is going to be used, how data is going to be used.

Some of them are saying we want to use the Bentley AI system called Bentley Copilot, because it’s a much better user experience. So, users stay within the same Bentley applications. Others are saying, no, no, actually we want to continue to use another AI assistant, for example, Claude, because we’ve been tailoring it with data that is specific to us as an engineering firm, for example. And we don’t want users to have to swap and go from one AI assistant to another. We want them to continue to use exactly the same.

So, that’s the kind of feedback that we’re getting, which is a lot of creativity, and we need to be ready for all sorts of use cases. In that context, we’re very clear that where we’re bringing value, where we’re adding value, and ultimately where we need to monetize is with the underlying engineering applications and then

Bentley Infrastructure Cloud overall, regardless exactly how these applications are used, whether it's with our own copilot or with third-party assistants, regardless of our data or the data that's been created with our platform is being used, whether it's through our copilot, or with a third-party AI assistant. We need to be completely open to that and not having any artificial limits in order to do this. Again, we will monetize at the underlying level, which the engineering applications themselves and Bentley Infrastructure Cloud.

Eric B: Great. Thanks.

Siti P: That's super helpful. Thank you, Nicholas.

Eric B: Yeah, thanks. The next question comes from Kristen Owen from Oppenheimer.

Kristen Owen: Great. Good morning. Thank you for taking the question. I wanted to dig into the Seequent results a bit. And specifically in mining, we're seeing a lot of capital discipline in the space. So, I'm wondering if you can unpack for us how much of the growth are you seeing from greenfield versus maybe brownfield expansion versus just this general trend toward adopting digital tools?

And then, somewhat related, I'm also seeing across my coverage a lot of M&A in the digital mining technology space. So, when you look at your acquisition pipeline, is this an area where you'd see opportunity for inorganic growth? Thank you.

Nicholas C: Yeah. Thank you, Kristen. On the first point. So, yes, 2026 is probably going to be a record year in terms of investments in CapEx in mining. And we see it around the world, across geographies, so it very much is broad based. And the kind of investment we're seeing is primarily brownfield in order to have a much faster return on investment than high risk, very long-term return investment: greenfield investments. So, it's primarily brownfield. We're seeing it also with the use of our software, as we're tracking it, that it's primarily used for brownfield rather than greenfield.

And why is that? It's because of this underlying trend of self-sufficiency. Countries around the world who want to get to critical minerals on their own and fast because of the geopolitical tensions, because of the disruption to the supply chains. I think there's a wide understanding around the world on the critical nature of those minerals and the need to be able to access them without obstacles.

So, that's the underlying trend. And, therefore, our growth as well, with our software, which is being used for exploration and operations of mines, is also very broad based. And we've also seen growth around the world. We've seen it with large accounts and smaller accounts, especially with mid-sized mining companies. So, it's very encouraging. Because it's so broad based, it means this is quite durable from that standpoint.

And then in terms of M&A, our appetite remains the same. And we did indicate already last quarter that, besides asset analytics, which remains a big priority, we're definitely looking for other opportunities, including in resources. So, if we see some assets out there that can help us accelerate our vision, that can help us accelerate our strategy, that can fill some gaps that we have in helping mining companies get a better understanding of the subsurface, then we'll do it. Whether, by the way, it's for mining, it could be also in geothermal, other sources of energy, etc. Resources overall.

Greg B: And it's still our expectation to be able to do that this year.

Kristen O: Thank you.

Eric B: Thanks. The next question comes from Faith Brunner from William Blair.

Faith Brunner: Hey guys. Thanks for taking my question. Maybe just wanted to jump into some of the AI noise. It seems like lately, we hear a new announcement from anyone talking about some new AI solution, whether it's a broad infrastructure use case, a more specialized. So maybe, what are you guys thinking about as the competitive landscape shifts? And how can this maybe play into your open ecosystem approach for AI?

Nicholas C: So, there's a lot of noise. In our space, maybe not so much in core infrastructure. We're going to see it in adjacent spaces like AEC, or let's say buildings. There's quite a bit of activities there. And they're indicative of where things could go. What's quite clear is that a lot of use cases are more at the edges of what we're doing.

When it comes to using AI in, let's say, core engineering and engineering for infrastructure, there's really no better value proposition than this combination of our own engineering applications that are trusted, that are already integrated in workflows across infrastructure value chains around the world, together with third-party AI assistants, AI models, LLMs. And that combination is here and now. So, this is not a startup activity. It's not a "this is where it could go." It's already there. Those capabilities are there.

And so, when we're engaging with accounts, this is where the conversation is, which is - let's not go into what, you know, in—very forward-looking conversations. Let's just talk about what is possible right now. And this is where typically, the eyes open very, very wide, when they realize the capabilities, the possibilities, the value that can be created today already.

Greg B: I myself am glad to hear each occasion of engineering organization, infrastructure engineering organizations, adopting AI for whatever it is they're adopting it for. In my ideal, these organizations would take pride in promoting and marketing their proprietary AI approaches to their overall strategy to optimize designs and heuristics. You can imagine learning applications and so forth that would be particular and specific and proprietary. And there have been, in the past, waves of innovation in engineering design that were where organizations competed on the quality and differentiation of their approaches.

In all cases, that can be accelerated if they use existing functionality for the modeling and simulation, so that they don't need to take on building up from the ground what exists already. It's in the how the solution space is explored and learned from and what you optimize and so forth that there is so much to be gained. And that should be proprietary and specialized and differentiated, and AI can accelerate that for our user organizations. And that's why the open approach that Nicolas described is the right one for us.

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

Jay Vleeschhouwer: Thank you. Good morning. The first part of the question is Werner. For the quarter and for the year to date, your increase in sales and marketing was fairly considerable and more than the increase in R&D on a small base spending. What is your expectation for R&D for the remainder of the year and into 2027, particularly when we think about the recent uptrend, for example, in your engineering open positions, which have been noticeably higher over the last few months.

And then, the technical side of that question is for Greg and Nicholas, could you remind us what your R&D and developmental priorities are, including, but not limited to, your design side of the portfolio, which you've been highlighting as a priority since 2022, but maybe bring us up to date on all of that. Thank you.

Nicholas C: Well, maybe I'll start with the latter, Jay, because then, it's good context for the conversation about where exactly we're investing. So, the priorities are AI in Bentley Open applications, AI with Bentley Infrastructure Cloud, and then synergies across our full portfolio, including our Seequent portfolio -so, across, if you want, Bentley Infrastructure Cloud and Seequent. Those are the priorities for an R&D standpoint.

And then, within AI for engineering applications, then it's both building our own AI capabilities, which we haven't talked about this call, but also instrumenting applications to interact with third-party AI, which we've discussed at length now. So, those are the priorities.

So, when it comes to investments, I will say, going forward, we're leaning very hard in adopting AI internally, and across all functions. What I think we can expect that, in the longer run, we grow certain functions as a percentage of revenue faster than others. And you may have heard some of us talk about growing R&D in particular - and, of course, we will do that as a software company - there's so much potential for AI that we want more engineers and we want them to work much faster thanks to the AI capabilities. But most probably will also be an increase of spend as a percentage of revenue into go-to-market functions, because of the point I mentioned earlier, which is there's so much noise around AI that we need to cut through it, and that does require investments in marketing, and it requires investments also with our Success Force: application engineers, solution architects, to be right there as “forward deployed” engineers with our accounts, to make sure they're aware of these capabilities, that they adopt these capabilities, they explore the potential, they validate the value.

Eric B: Great. Thank you. Next question comes from Andrew Degasperi from BNP.

Andrew Degasperi: Thanks. It's good to see everyone. I just wanted to ask a question on in terms of your fastest growing segments: resources, utilities, and the grid. And they could be construed as related, or indirectly related, to data center spend and AI spend. And I'm just wondering, number one, would you agree with that? Number two, are you concerned that they could potentially slow in the future? And then I guess lastly, if it does slow, do you think that opens up capacity to work on other projects? Thanks.

Nicholas C: So, one point of clarification that resources is indeed our fastest growing sector. And then, public works/utilities in totality also grew strongly in Q2. So, not just the electric grid. It's not like the electric grid was growing necessarily much faster than other parts of the public works/utilities sector, such as transportation or water utilities, etc.

There is definitely a link with the big investments in data centers. This is what's driving for self-sufficiency when it comes to critical minerals. This is also what's putting a lot of stress on the electric grid. So, for sure, there is a link with investments in data centers. With respect to durability, I think the need for critical minerals goes way beyond what's needed for data centers. And I think investments on the electric grid also needed way beyond what's also needed for data centers. I think the need to secure critical minerals, the need to make the electric grid more resilient, to potentially expand it, etc.—that goes beyond data centers. So, we are confident as well about the robustness of those end markets.

Eric B: Thanks, Andrew. The next question comes from Alexei Gogolev from J.P. Morgan.

Alexei Gogolev: Thank you, Eric, and hello everyone. Greg, I think in the past you've talked about how tokens are trivial relative to engineering, modeling, and simulation compute, and that much execution can remain local. So, how does that shape your long-term gross margin profile for agentic workflows? And where do you see the main incremental cost centers?

Greg B: Well, I think all the time, there's more awareness that things are going to wind up being hybrid choices. We would like those choices to be able to be made by our accounts. And engineering firms and owner-operators each have reasons to, as I mentioned, to ultimately favor relatively sovereign computing for reasons of their own sensitivities. That will be, I think, technically feasible as well with coming hardware advances. And I think my answer is, as far as its impact on our gross margins, it's likely to be relatively less impact on our gross margins as a result than perhaps others who are only investing in cloud-based computing requirements. Because I don't think the world—back to the previous question—is going to be covered with data centers going forward, and that there won't be reasons to balance out the computing form factors in a hybrid way.

Providing AI is a good business, but that can include providing it in local environments as well.

Eric B: Thanks.

Alexei G: Thank you.

Eric B: The next question comes from Taylor McGinnis from UBS.

Taylor McGinnis: Yeah. Hi team. Thanks so much for answering my question. I actually would love to hit on cash flow. So, it looks like in order to hit the high end of the cash flow guide, you have to assume pretty material second-half cash flow margin expansion, compared to it being down year-over-year in the first half.

So, could you just walk us through where you're tracking in terms of the guidance range? What would cause the big reversal in the second half of expense growth, particularly given some of the AI investments and other areas?

Werner A: Maybe I take that. So, Taylor, we are in H1 exactly where we messaged in Q4 '25, in our outlook, where we would be expected to be. So, we had 47% in H1 of our full year outlook and re-guided towards 45% to 50%, if I take the midpoint of the free cash flow outlook.

There are two things we pointed out in Q4 last year that will lead to a shift between from Q2 into, sorry, from H2 into H1 in 2026. One was that we had really strong collections at the end of 2025, which benefited 2025, but which was a higher comparison than for Q1 2026. And then, we talked about that we're doing investments into the business early in the year, which also impacted the profitability and the cash flow in the first half of the year. So, it's really just timing. It's working capital mostly, and it's quarter-to-quarter movements that really catch up quickly between quarters. The underlying model with our recurring revenues, negative working capital, low CapEx, all of that is still intact.

So, expect 50% to 55% of cash flow generated in the second half of the year. And we are on point to reach our free cash flow outlook.

Eric B: Thanks.

Taylor M: Great.

Greg B: I want to just jump in to say that that on expenses and margin, you can count on us hitting the goal for the year because it's a fundamental incentive requirement for our executives, and we can manage to it and we do. Anything that happens during the year is just quarterly planning, and it's not hard to achieve the goal because we manage to it.

However, in terms of cash flow, we can't—I've been surprised to have invoices be paid before their due date in previous years, and that you just take it when it comes.

Eric B: Thanks. And the next question comes from Joshua Tilton from Wolfe Research.

Arsenije Matovic: Hi guys. This is Arsenije on for Josh. Thanks for taking the question. Just wanted to ask if you could discuss maybe whether there's any benefit to including some more ProjectWise functionality. I think that was updated in E365 consumption, whether that's driving any higher consumption or supporting higher ceiling resets, and with 3Q having that lowest level of ceiling resets, you said the same seasonal growth as fiscal 25 Q1 and Q2, but still marginally outperformed that both in Q1 and Q2. So, when we're thinking continued momentum on organic basis, should investors expect a similar slight improvement in organic sequential growth in 3Q on those ceiling resets?

Nicholas C: All right. Let's a—number of questions there as well. So, hopefully, I won't miss any. First of all, strong renewals was definitely a growth driver in Q2. It is our second largest quarter for renewals, but it's a distant second. The first one is Q4. But when it came to floor and ceiling uplifts, it was aligned with what we've seen in previous quarters. So, around 10%, which gives us a lot of confidence because this is always a reflection of both of past consumption, but also what our accounts are seeing as the demand in their end markets. So, it's a clear vote of confidence for them to agree on this uplift. So, that's what we've seen in Q2. And it gives us a lot of confidence for the remainder of the year.

Now on ProjectWise, I would say Bentley Infrastructure Cloud overall is a growth driver. We introduced [Bentley Infrastructure Cloud] Connect at the end of 2025. And it is definitely a growth driver for us. The value proposition resonates a lot with infrastructure organizations. And this helps really support growth with both existing accounts and potentially new accounts as well.

Arsenije M: Thank you.

Eric B: Great. Thanks. And the last question comes from Tomer Zilberman from B of A.

Tomer Zilberman: I wanted to go back to the line of question on AI competition, but maybe frame it a little bit differently. I think since last quarter, of course, has been the announcement around Prometheus. And I think also there has been a large European model denounced the partnership with Aerospace Company for engineering, simulation, and design. So, Nicholas, I appreciate your earlier comments that these are kind of different areas of focus versus your core competency and infrastructure engineering, but is there any risk that they eventually start converging to your area? And is that driving any sort of hesitancy from customers, or a desire to wait to see that these models improve and get better and eventually get to the area of infrastructure engineering?

Greg B: Well, Prometheus is particularly interesting, and it's a bit obscure, which is fine at its early stage. What I think we can say is such are the level of its ambitions as measured by its investment so far. And what's talked about is that software and providing software tools can't turn out to be very much of what it has in mind, given the relative size of that market compared to its scale. However, these are conspicuous investments in the world, and I think it does serve to help increase the enthusiasm on the part of engineers about what AI can do for them and what we can start to do now to provide them assistance. I believe that what these organizations develop will be useful, and they include engineering functionality for their own purposes, but their own purposes are unlikely to be particularly competitive with our place in the market.

Nicholas C: And to the other question with respect to our accounts, hesitation because they hear things like some of these investments, absolutely not. This is not coming up at all. This is not the noise that I'm talking about. The noise is also their own explorations about what they can do with AI, and the way we're cutting through is just really demonstrating what's possible here and now, without speculation. What we're offering is possible now, and it's offering tremendous value for everyone.

Eric B: That concludes our call today. Thanks for your interest and time. We look forward to updating you on our performance and coming quarters. Thank you.

Nicholas C: Thank you.