

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

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2021

**OR**

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

Commission File Number: 001-39548

**BENTLEY SYSTEMS, INCORPORATED**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**95-3936623**

(I.R.S. Employer Identification No.)

**685 Stockton Drive**

**Exton, Pennsylvania**

(Address of principal executive offices)

**19341**

(Zip Code)

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

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

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

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of November 2, 2021, the registrant had 11,601,757 shares of Class A and 270,744,044 shares of Class B Common Stock, par value \$0.01 per share, outstanding.

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

Item 1. Unaudited Consolidated Financial Statements

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

Assets	September 30, 2021	December 31, 2020
Current assets:		
Cash and cash equivalents	\$ 155,755	\$ 122,006
Accounts receivable	194,682	195,782
Allowance for doubtful accounts	(6,355)	(5,759)
Prepaid income taxes	20,958	3,535
Prepaid and other current assets	35,062	24,694
Total current assets	400,102	340,258
Property and equipment, net	31,103	28,414
Operating lease right-of-use assets	48,642	46,128
Intangible assets, net	251,467	45,627
Goodwill	1,592,399	581,174
Investments	5,429	5,691
Deferred income taxes	77,418	39,224
Other assets	47,523	39,519
Total assets	<u>\$ 2,454,083</u>	<u>\$ 1,126,035</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 12,502	\$ 16,492
Accruals and other current liabilities	317,271	226,793
Deferred revenues	189,683	202,294
Operating lease liabilities	18,003	16,610
Income taxes payable	11,974	3,366
Total current liabilities	549,433	465,555
Long-term debt	1,302,845	246,000
Deferred compensation plan liabilities	89,174	2,422
Long-term operating lease liabilities	32,583	31,767
Deferred revenues	6,614	7,020
Deferred income taxes	69,471	10,849
Income taxes payable	7,613	7,883
Other liabilities	17,352	12,940
Total liabilities	2,075,085	784,436
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 100,000,000 shares; none issued or outstanding as of September 30, 2021 and December 31, 2020	—	—
Class A Common Stock, \$0.01 par value, authorized 100,000,000 shares; issued and outstanding 11,601,757 shares as of September 30, 2021 and December 31, 2020, and Class B Common Stock, \$0.01 par value, authorized 1,800,000,000 shares; issued and outstanding 270,436,807 and 260,552,747 shares as of September 30, 2021 and December 31, 2020, respectively	2,820	2,722
Additional paid-in capital	921,410	741,113
Accumulated other comprehensive loss	(81,880)	(26,233)
Accumulated deficit	(463,352)	(376,003)
Total stockholders' equity	378,998	341,599
Total liabilities and stockholders' equity	<u>\$ 2,454,083</u>	<u>\$ 1,126,035</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Subscriptions	\$ 212,227	\$ 173,174	\$ 585,804	\$ 501,011
Perpetual licenses	11,866	12,827	33,373	36,020
Subscriptions and licenses	224,093	186,001	619,177	537,031
Services	24,387	16,996	74,239	44,946
Total revenues	248,480	202,997	693,416	581,977
<b>Cost of revenues:</b>				
Cost of subscriptions and licenses	31,056	23,338	89,882	66,466
Cost of services	23,176	19,290	67,090	50,126
Total cost of revenues	54,232	42,628	156,972	116,592
Gross profit	194,248	160,369	536,444	465,385
<b>Operating expense (income):</b>				
Research and development	57,334	50,217	157,913	139,570
Selling and marketing	44,392	41,824	114,846	107,551
General and administrative	35,329	32,956	110,233	85,390
Deferred compensation plan	88,965	50	89,327	(115)
Amortization of purchased intangibles	8,676	3,869	16,703	10,984
Expenses associated with initial public offering	—	26,130	—	26,130
Total operating expenses	234,696	155,046	489,022	369,510
(Loss) income from operations	(40,448)	5,323	47,422	95,875
Interest expense, net	(3,836)	(1,934)	(8,608)	(4,450)
Other (expense) income, net	(957)	13,741	9,748	6,756
(Loss) income before income taxes	(45,241)	17,130	48,562	98,181
(Provision) benefit for income taxes	(4,223)	(10,705)	6,165	(22,145)
Loss from investment accounted for using the equity method, net of tax	(664)	(581)	(2,939)	(1,447)
Net (loss) income	(50,128)	5,844	51,788	74,589
Less: Net (loss) income attributable to participating securities	(3)	(4)	(6)	(4)
Net (loss) income attributable to Class A and Class B common stockholders	\$ (50,131)	\$ 5,840	\$ 51,782	\$ 74,585
<b>Per share information:</b>				
Net (loss) income per share, basic	\$ (0.16)	\$ 0.02	\$ 0.17	\$ 0.26
Net (loss) income per share, diluted	\$ (0.16)	\$ 0.02	\$ 0.16	\$ 0.25
Weighted average shares, basic	308,195,379	289,318,391	305,119,985	287,063,892
Weighted average shares, diluted	308,195,379	299,634,961	314,658,136	297,251,349

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net (loss) income	\$ (50,128)	\$ 5,844	\$ 51,788	\$ 74,589
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustments	(27,014)	(812)	(55,709)	(5,315)
Actuarial gain on retirement plan, net of tax effect of \$(8), \$(6), \$(25), and \$(21), respectively	20	5	62	31
Total other comprehensive loss, net of taxes	(26,994)	(807)	(55,647)	(5,284)
Comprehensive (loss) income	<u>\$ (77,122)</u>	<u>\$ 5,037</u>	<u>\$ (3,859)</u>	<u>\$ 69,305</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30, 2021						
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss		Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value					
Balance, June 30, 2021	281,189,127	\$ 2,812	\$ 910,951	\$ (54,886)	\$ (387,063)	\$ 471,814	
Net loss	—	—	—	—	(50,128)	(50,128)	
Other comprehensive loss	—	—	—	(26,994)	—	(26,994)	
Dividends declared	—	—	—	—	(8,485)	(8,485)	
Shares issued in connection with deferred compensation plan, net	88,920	1	—	—	(3,773)	(3,772)	
Deferred compensation plan elective participant deferrals	—	—	527	—	—	527	
Deferred compensation plan modification	—	—	(4,739)	—	—	(4,739)	
Shares issued in connection with Executive Bonus Plan, net	41,172	—	4,292	—	(1,870)	2,422	
Shares issued in connection with employee stock purchase plan	104,716	1	3,845	—	(438)	3,408	
Stock option exercises, net	612,277	6	699	—	(5,951)	(5,246)	
Stock-based compensation expense	—	—	5,835	—	—	5,835	
Shares related to restricted stock, net	2,352	—	—	—	(5,644)	(5,644)	
Balance, September 30, 2021	<u>282,038,564</u>	<u>\$ 2,820</u>	<u>\$ 921,410</u>	<u>\$ (81,880)</u>	<u>\$ (463,352)</u>	<u>\$ 378,998</u>	

	Nine Months Ended September 30, 2021						
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss		Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value					
Balance, December 31, 2020	272,154,504	\$ 2,722	\$ 741,113	\$ (26,233)	\$ (376,003)	\$ 341,599	
Net income	—	—	—	—	51,788	51,788	
Other comprehensive loss	—	—	—	(55,647)	—	(55,647)	
Shares issued related to acquisition	3,141,342	31	182,359	—	—	182,390	
Purchase of capped call options, net of tax of \$12,584	—	—	(39,021)	—	—	(39,021)	
Dividends declared	—	—	—	—	(25,076)	(25,076)	
Shares issued in connection with deferred compensation plan, net	2,290,999	23	—	—	(65,707)	(65,684)	
Deferred compensation plan elective participant deferrals	—	—	2,020	—	—	2,020	
Deferred compensation plan modification	—	—	(4,739)	—	—	(4,739)	
Shares issued in connection with Executive Bonus Plan, net	190,619	2	16,013	—	(6,586)	9,429	
Shares issued in connection with employee stock purchase plan	104,716	1	3,845	—	(438)	3,408	
Stock option exercises, net	4,269,335	42	4,987	—	(34,978)	(29,949)	
Shares issued for stock grants, net	7,824	—	450	—	—	450	
Stock-based compensation expense	—	—	14,383	—	—	14,383	
Shares related to restricted stock, net	(120,775)	(1)	—	—	(6,352)	(6,353)	
Balance, September 30, 2021	<u>282,038,564</u>	<u>\$ 2,820</u>	<u>\$ 921,410</u>	<u>\$ (81,880)</u>	<u>\$ (463,352)</u>	<u>\$ 378,998</u>	

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30, 2020					
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value				
Balance, June 30, 2020	259,209,355	\$ 2,592	\$ 415,883	\$ (28,404)	\$ (10,327)	\$ 379,744
Net income	—	—	—	—	5,844	5,844
Other comprehensive loss	—	—	—	(807)	—	(807)
Dividends declared	—	—	—	—	(400,311)	(400,311)
Profit-sharing plan shares, net	(164,266)	(1)	—	—	(2,541)	(2,542)
Shares issued in connection with deferred compensation plan, net	24,800	—	—	—	(47)	(47)
Deferred compensation plan elective participant deferrals	—	—	804	—	—	804
Stock option exercises, net	1,321,475	13	5,538	—	(566)	4,985
Stock-based compensation expense	—	—	19,517	—	—	19,517
Shares related to restricted stock, net	1,835,672	18	(19)	—	(13)	(14)
Balance, September 30, 2020	<u>262,227,036</u>	<u>\$ 2,622</u>	<u>\$ 441,723</u>	<u>\$ (29,211)</u>	<u>\$ (407,961)</u>	<u>\$ 7,173</u>

	Nine Months Ended September 30, 2020					
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value				
Balance, December 31, 2019	254,842,949	\$ 2,548	\$ 408,667	\$ (23,927)	\$ (52,669)	\$ 334,619
Net income	—	—	—	—	74,589	74,589
Other comprehensive loss	—	—	—	(5,284)	—	(5,284)
Dividends declared	—	—	—	—	(415,748)	(415,748)
Profit-sharing plan shares, net	(549,834)	(5)	—	—	(6,965)	(6,970)
Shares issued in connection with deferred compensation plan, net	2,984,531	30	—	—	(1,907)	(1,877)
Deferred compensation plan elective participant deferrals	—	—	2,602	—	—	2,602
Payment of shareholder Put and Call rights	(128,176)	(1)	—	—	(1,453)	(1,454)
Common Stock Purchase Agreement, net	169	—	—	—	(57)	(57)
Stock option exercises, net	3,506,103	35	7,741	—	(3,618)	4,158
Shares issued for stock grants	17,411	—	219	—	—	219
Stock-based compensation expense	—	—	22,510	—	—	22,510
Shares related to restricted stock, net	1,553,883	15	(16)	—	(133)	(134)
Balance, September 30, 2020	<u>262,227,036</u>	<u>\$ 2,622</u>	<u>\$ 441,723</u>	<u>\$ (29,211)</u>	<u>\$ (407,961)</u>	<u>\$ 7,173</u>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income	\$ 51,788	\$ 74,589
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,946	25,836
Bad debt allowance (recovery)	466	(541)
Deferred income taxes	(17,788)	7,853
Stock-based compensation expense	32,853	23,617
Amortization and write-off of deferred debt issuance costs	4,160	430
Change in fair value of derivative	(9,198)	3,365
Change in fair value of contingent consideration	—	(1,340)
Foreign currency remeasurement loss (gain)	103	(9,067)
Loss from investment accounted for using the equity method, net of tax	2,939	1,447
Changes in assets and liabilities, net of effect from acquisitions:		
Accounts receivable	26,305	46,661
Prepaid and other assets	11,310	8,907
Accounts payable, accruals, and other liabilities	31,766	31,486
Deferred compensation plan liabilities	86,608	2,487
Deferred revenues	(36,598)	(35,134)
Income taxes payable, net of prepaid income taxes	(13,243)	(4,571)
Net cash provided by operating activities	<u>207,417</u>	<u>176,025</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment and investment in capitalized software	(11,152)	(13,533)
Acquisitions, net of cash acquired of \$37,837 and \$2,064, respectively	(1,033,695)	(68,920)
Other investing activities	(3,000)	(6,355)
Net cash used in investing activities	<u>(1,047,847)</u>	<u>(88,808)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from credit facilities	682,083	432,375
Payments of credit facilities	(860,228)	(201,125)
Proceeds from convertible senior notes, net of discounts and commissions	1,233,377	—
Payments of debt issuance costs	(5,643)	(432)
Purchase of capped call options	(51,555)	—
Proceeds from term loan	—	125,000
Payments of financing leases	(147)	(141)
Payments of acquisition debt and other consideration	(741)	(2,034)
Payments of dividends	(25,076)	(412,852)
Payments for shares acquired including shares withheld for taxes	(111,306)	(72,476)
Proceeds from Common Stock Purchase Agreement	—	58,349
Proceeds from stock purchases under employee stock purchase plan	3,846	—
Proceeds from exercise of stock options	5,039	3,206
Net cash provided by (used in) financing activities	<u>869,649</u>	<u>(70,130)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		
Increase in cash and cash equivalents	33,749	16,497
Cash and cash equivalents, beginning of year	122,006	121,101
Cash and cash equivalents, end of period	<u>\$ 155,755</u>	<u>\$ 137,598</u>



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

	Nine Months Ended September 30,	
	2021	2020
<b>Supplemental information:</b>		
Cash paid for income taxes	\$ 32,359	\$ 17,338
Income tax refunds	7,820	1,630
Interest paid	3,281	4,658
<b>Non-cash investing and financing activities:</b>		
Shares issued related to acquisition	182,390	—
Contingent acquisition consideration	5,581	1,902
Deferred, non-contingent consideration, net	10,081	(141)
Convertible senior notes expenses included in <i>Accounts payable</i>	375	—
Capped call options expenses included in <i>Accounts payable</i>	50	—
Share-settled Executive Bonus Plan awards	16,015	—
Deferred compensation plan elective participant deferrals	2,020	2,602

See accompanying notes to consolidated financial statements.

**BENTLEY SYSTEMS, INCORPORATED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(in thousands, except share and per share data)**  
**(unaudited)**

**Note 1: Basis of Presentation**

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

**Seequent Acquisition** — On June 17, 2021, the Company completed the acquisition of Seequent Holdings Limited (“Seequent”), a leader in software for geological and geophysical modeling, geotechnical stability, and cloud services for geodata management and collaboration, for \$910,997 in cash, net of cash acquired, plus 3,141,342 shares of the Company’s Class B Common Stock (see Note 4).

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

On June 28, 2021, the Company completed a private offering of \$575,000 of 0.375% convertible senior notes due 2027 (the “2027 Notes”). The Company incurred \$15,065 of expenses in connection with the 2027 Notes offering consisting of transaction costs. In connection with the pricing of the 2027 Notes, the Company entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. The capped call options are expected to reduce potential dilution to the Company’s Class B Common Stock upon any conversion of 2027 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. The Company paid premiums of \$25,875 in connection with the capped call options (see Note 10).

**Deferred Compensation** — Under the Company’s unfunded Nonqualified Deferred Compensation Plan, as amended and restated, effective as of September 22, 2020 (the “DCP”), certain officers and key employees may defer all or any part of their incentive compensation, and the Company may make discretionary awards on behalf of such participants. Elective participant deferrals and discretionary Company awards are received in the form of phantom shares of the Company’s Class B Common Stock, which are valued for tax and accounting purposes in the same manner as actual shares of Class B Common Stock, and are recorded as stock-based compensation expense in the consolidated statements of operations (see Note 15).

In August 2021, the Company’s Board of Directors approved an amendment to the DCP, which offered to certain active executives in the DCP a one-time, short-term election to reallocate a limited portion of their DCP holdings from phantom shares of the Company’s Class B Common Stock into other DCP phantom investment funds. The offer to reallocate was subject to a proration mechanism which adjusted the aggregate elections to a maximum of 1,500,000 phantom shares of the Company’s Class B Common Stock. This resulted in a reduction of 1,500,000 shares in both the basic and diluted count of Company shares.

While DCP participants’ investments in phantom shares remain equity classified, as they will be settled in shares of Class B Common Stock upon eventual distribution, the amendment and elections resulted in a change to liability classification for the reallocated phantom investments, as they will be settled in cash upon eventual distribution. As a result, during the three and nine months ended September 30, 2021, the Company reclassified cumulative compensation cost of \$4,739 from *Additional paid-in capital to Accruals and other current liabilities or Deferred compensation plan liabilities* in the consolidated balance sheet and recognized a compensation charge of \$90,721 to *Deferred compensation plan expenses* in the consolidated statements of operations to record the reallocated deferred compensation plan liabilities at their fair value of \$95,460. Subsequent to the one-time reallocation, these diversified deferred compensation plan liabilities are marked to market at the end of each reporting period, with changes in the liabilities recorded as an expense (income) to *Deferred compensation plan* in the consolidated statements of operations.

Certain reclassifications of prior period amounts have been made to conform to the current period presentation (see Note 12).

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

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

**Special Dividend** — On August 28, 2020, the Company’s board of directors declared a special dividend of \$1.50 per share of the Company’s common stock (\$392,489 in the aggregate) (the “Special Dividend”), payable to all stockholders of record as of August 31, 2020, including dividends which accrue on certain unvested restricted stock and restricted stock units (“RSUs”). For further detail, see the audited consolidated financial statements and notes thereto included in Part II, Item 8 of the Company’s 2020 Annual Report on Form 10-K on file with the SEC.

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

In response to the COVID-19 pandemic, the Company implemented a number of initiatives to ensure the safety of its colleagues and enable them to move to a work from home environment seamlessly and continue working effectively. The Company continues to monitor the global situation, with the health and safety of our colleagues and users as a top priority. Currently, the majority of the Company's workforce remains remote due to COVID-19. The Company's business model is such that there was minimal disruption to the Company's ability to deliver its solutions to accounts.

#### **Note 2: Recent Accounting Pronouncements**

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"), which improves the comparability of accounting for acquired revenue contracts with customers in a business combination. The new guidance is meant to reduce diversity in practice and inconsistencies related to recognition of an acquired contract liability and revenue contract payment terms and their effect on subsequent revenue recognized by the acquirer. ASU 2021-08 is effective for the Company for the interim and annual reporting periods beginning after December 15, 2022. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact the ASU will have on its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform between March 12, 2020 and December 31, 2022. The expedients and exceptions provided by ASU 2020-04 do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The Company had no transactions that were impacted by ASU 2020-04 during the nine months ended September 30, 2021.

#### **Recently Adopted Accounting Guidance**

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

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"), which aligns the requirements for capitalizing implementation costs in cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company prospectively adopted the ASU effective January 1, 2021. Capitalized costs related to cloud computing arrangements for the nine months ended September 30, 2021, which are included in *Prepaid and other current assets* in the consolidated balance sheet, were not material.

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

### **Note 3: Revenue from Contracts with Customers**

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

#### **Nature of Products and Services**

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

#### **Subscriptions**

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

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

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

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

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

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

### ***Perpetual licenses***

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

### ***Services***

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

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

## Significant Judgments and Estimates

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

The Company's SELECT agreement provides users with perpetual licenses a right to exchange software for other eligible perpetual licenses on an annual basis upon renewal. The Company refers to this option as portfolio balancing and has concluded that the portfolio balancing feature represents a material right resulting in the deferral of the associated revenue. Judgment is required to estimate the percentage of users who may elect to portfolio balance and considers inputs such as historical user elections. This feature is available once per term and must be exercised prior to the respective renewal term. The Company recognizes the associated revenue upon election or when the portfolio balancing right expires. This right is included in the initial and subsequent renewal terms and the Company reestablishes the revenue deferral for the material right upon the beginning of the renewal term. As of September 30, 2021 and December 31, 2020, the Company has deferred \$18,504 and \$18,166, respectively, related to portfolio balancing exchange rights which is included in *Deferred revenues* in the consolidated balance sheets.

## Contract Assets and Contract Liabilities

	September 30, 2021	December 31, 2020
Contract assets	\$ 385	\$ 446
Deferred revenues	196,297	209,314

As of September 30, 2021 and December 31, 2020, the Company's contract assets relate to performance obligations completed in advance of the right to invoice and are included in *Prepaid and other current assets* in the consolidated balance sheets. Contract assets were not impaired as of September 30, 2021 and December 31, 2020.

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

For the nine months ended September 30, 2021, \$164,539 of revenue that was included in the December 31, 2020 deferred revenue balance was recognized. There were additional deferrals of \$157,680, which were primarily related to new billings and acquisitions (see Note 4). For the nine months ended September 30, 2020, \$177,462 of revenue that was included in the December 31, 2019 deferred revenue opening balance was recognized. There were additional deferrals of \$142,678, which were primarily related to new billings.

## Remaining Performance Obligations

The Company's contracts with customers include amounts allocated to performance obligations that will be satisfied at a later date. As of September 30, 2021, amounts allocated to these remaining performance obligations are \$196,297, of which the Company expects to recognize 96.6% over the next 12 months with the remaining amount thereafter.

## Disaggregation of Revenues

The following table details revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
Subscriptions:				
SELECT subscriptions	\$ 66,648	\$ 67,509	\$ 199,722	\$ 199,848
Enterprise subscriptions <sup>(1)</sup>	75,381	55,978	214,058	165,268
Term license subscriptions	70,198	49,687	172,024	135,895
Subscriptions	212,227	173,174	585,804	501,011
Perpetual licenses:				
Perpetual licenses	11,866	12,827	33,373	36,020
Subscriptions and licenses	224,093	186,001	619,177	537,031
Services:				
Professional services (recurring)	5,160	4,308	16,243	11,624
Professional services (other)	19,227	12,688	57,996	33,322
Services	24,387	16,996	74,239	44,946
Total revenues	\$ 248,480	\$ 202,997	\$ 693,416	\$ 581,977

(1) Enterprise subscriptions includes revenue attributable to E365 subscriptions of \$60,102 and \$29,363 for the three months ended September 30, 2021 and 2020, respectively, and \$162,120 and \$76,536 for the nine months ended September 30, 2021 and 2020, respectively.

The Company recognizes perpetual licenses and the term license component of subscriptions as revenue when either the licenses are delivered or at the start of the subscription term. For the three months ended September 30, 2021 and 2020, the Company recognized \$108,524 and \$85,369 of license related revenues, respectively, of which \$96,658 and \$72,542, respectively, were attributable to the term license component of the Company's subscription based commercial offerings recorded in *Subscriptions* in the consolidated statements of operations. For the nine months ended September 30, 2021 and 2020, the Company recognized \$292,034 and \$245,639 of license related revenues, respectively, of which \$258,661 and \$209,619, respectively, were attributable to the term license component of the Company's subscription based commercial offerings recorded in *Subscriptions* in the consolidated statements of operations.

The Company derived 7% and 8% of its total revenues through channel partners for the three months ended September 30, 2021 and 2020, respectively, 7% and 8% of its total revenues through channel partners for the nine months ended September 30, 2021 and 2020, respectively.



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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Revenues:				
Americas <sup>(1)</sup>	\$ 126,583	\$ 102,104	\$ 347,753	\$ 287,942
Europe, the Middle East, and Africa (“EMEA”) <sup>(2)</sup>	75,982	63,335	218,845	184,913
Asia-Pacific (“APAC”)	45,915	37,558	126,818	109,122
Total revenues	\$ 248,480	\$ 202,997	\$ 693,416	\$ 581,977

(1) Americas includes the United States (“U.S.”), Canada, and Latin America (including the Caribbean). Revenue attributable to the U.S. totaled \$104,805 and \$91,993 for the three months ended September 30, 2021 and 2020, respectively, and \$289,245 and \$251,194 for the nine months ended September 30, 2021 and 2020, respectively.

(2) Revenue attributable to the United Kingdom (“U.K.”) totaled \$22,703 and \$18,470 for the three months ended September 30, 2021 and 2020, respectively, and \$65,328 and \$46,355 for the nine months ended September 30, 2021 and 2020, respectively.

#### Note 4: Acquisitions

For the nine months ended September 30, 2021 and the year ended December 31, 2020, the Company completed a number of acquisitions, for an aggregate purchase price of \$1,269,584 and \$102,094, respectively. On June 17, 2021, the Company completed the acquisition of Sequent, a leader in software for geological and geophysical modeling, geotechnical stability, and cloud services for geodata management and collaboration, for \$910,997 in cash, net of cash acquired, plus 3,141,342 shares of the Company’s Class B Common Stock. The operating results of the acquired businesses, except for Sequent, were not material, individually or in the aggregate, to the Company’s consolidated statements of operations and financial position.

The aggregate details of the Company’s acquisition activity are as follows:

	Acquisitions Completed in	
	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
Number of acquisitions	12	6
Cash paid at closing <sup>(1)</sup>	\$ 1,071,532	\$ 98,298
Cash acquired	(37,837)	(5,266)
Net cash paid	\$ 1,033,695	\$ 93,032

(1) Of the cash paid at closing for the nine months ended September 30, 2021, \$7,050 was deposited into an escrow account to secure any potential indemnification and other obligations of the seller.

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

	September 30, 2021	December 31, 2020
Accruals and other current liabilities	\$ 6,900	\$ 2,884
Other liabilities	2,133	1,415
Contingent consideration from acquisitions	\$ 9,033	\$ 4,299

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

	September 30, 2021	December 31, 2020
Accruals and other current liabilities	\$ 5,911	\$ 685
Other liabilities	5,876	1,774
Non-contingent consideration from acquisitions	<u>\$ 11,787</u>	<u>\$ 2,459</u>

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

In connection with the purchase price allocations related to the Company's acquisitions, the Company has estimated the fair values of the support obligations assumed relative to acquired deferred revenue. The estimated fair values of the support obligations assumed were determined using a cost-build-up approach. The cost-build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. These fair value adjustments reduce the revenues recognizable over the remaining support contract term of the Company's acquired contracts. For the three months ended September 30, 2021 and 2020, the fair value adjustments to reduce revenue were \$2,914 and \$288, respectively, and \$3,924 and \$483 for the nine months ended September 30, 2021 and 2020, respectively.

The purchase accounting for the 12 acquisitions completed for the nine months ended September 30, 2021 are not yet completed. Identifiable assets acquired and liabilities assumed were provisionally recorded at their estimated fair values on the respective acquisition date. The initial accounting for these business combinations is not complete because the evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. The allocation of the purchase price may be modified from the date of the acquisition as more information is obtained about the fair values of assets acquired and liabilities assumed, however such measurement period cannot exceed one year.

Acquisition and integration costs are expensed as incurred and are recorded in *General and administrative* in the consolidated statements of operations. For the three months ended September 30, 2021 and 2020, the Company incurred acquisition and integration costs of \$943 and \$531, respectively, and \$18,037 and \$1,609 for the nine months ended September 30, 2021 and 2020, respectively, which include costs related to legal, accounting, valuation, general administrative, and other consulting fees. For the three and nine months ended September 30, 2021, \$389 and \$16,285, respectively, of the Company's acquisition and integration costs related to the acquisition of Seequent.

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

	Acquisitions Completed in	
	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
<b>Consideration:</b>		
Cash paid at closing	\$ 1,071,532	\$ 98,298
Shares issued at closing <sup>(1)(2)</sup>	182,390	—
Contingent consideration	5,581	2,380
Deferred, non-contingent consideration, net	10,081	1,416
<b>Total consideration</b>	<b>\$ 1,269,584</b>	<b>\$ 102,094</b>
<b>Assets acquired and liabilities assumed:</b>		
Cash	\$ 37,837	\$ 5,266
Prepaid and other current assets	23,709	8,701
Operating lease right-of-use assets	12,074	2,529
Property and equipment	4,383	499
Investments	—	—
Other assets	874	36
Software and technology (weighted average useful life of 5 and 3 years, respectively)	45,753	2,207
Customer relationships (weighted average useful life of 9 and 6 years, respectively)	143,794	11,371
Trademarks (weighted average useful life of 10 and 7 years, respectively)	42,444	3,953
Non-compete agreement (useful life of 5 years)	—	200
In-process research and development	4,400	—
<b>Total identifiable assets acquired excluding goodwill</b>	<b>315,268</b>	<b>34,762</b>
Accruals and other current liabilities	(28,065)	(4,991)
Deferred revenues	(18,412)	(5,351)
Operating lease liabilities	(11,966)	(2,529)
Deferred income taxes	(48,374)	(1,701)
Other liabilities	(716)	(86)
<b>Total liabilities assumed</b>	<b>(107,533)</b>	<b>(14,658)</b>
<b>Net identifiable assets acquired excluding goodwill</b>	<b>207,735</b>	<b>20,104</b>
<b>Goodwill</b>	<b>1,061,849</b>	<b>81,990</b>
<b>Net assets acquired</b>	<b>\$ 1,269,584</b>	<b>\$ 102,094</b>

(1) Of the total 3,141,342 shares issued at closing, 83,627 shares are subject to forfeiture if post-closing employment service conditions are not met. Accordingly, \$5,452 is being recorded as stock-based compensation expense over the related forfeiture period of two years (see Note 15).

(2) A fair value adjustment of \$16,943 was applied to the stock consideration due to restrictions on the transfer of securities.

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

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

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

Goodwill recorded in connection with the acquisitions was attributable to synergies expected to arise from cost saving opportunities, as well as future expected cash flows. Of the goodwill recorded as of September 30, 2021, \$16,244 is expected to be deductible for tax purposes.

#### **Unaudited Pro Forma Financial Information**

Had the acquisition of Seequent been made at the beginning of 2020, unaudited pro forma total revenues for the three months ended September 30, 2021 and 2020 would have been \$248,480 and \$220,828, respectively, and \$746,025 and \$640,008 for the nine months ended September 30, 2021 and 2020, respectively. Net (loss) income, net (loss) income per share, basic, and net (loss) income per share, diluted for the three and nine months ended September 30, 2021 and 2020 would not have been materially different than the amounts reported primarily due to the pro forma adjustments to reflect the amortization of purchased intangibles and the cost to finance the transaction, net of the related tax effects.

The unaudited pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of 2020. The unaudited pro forma financial information combines the historical results of the Company, the adjusted historical results of Seequent considering the date the Company completed the acquisition of Seequent, and the effects of the pro forma adjustments described above.

#### **Note 5: Property and Equipment, Net**

Property and equipment, net consist of the following:

	September 30, 2021	December 31, 2020
Land	\$ 2,811	\$ 2,811
Building and improvements	34,630	33,094
Computer equipment and software	50,295	44,369
Furniture, fixtures, and equipment	15,545	12,849
Aircraft	4,075	4,075
Other	63	58
Property and equipment, at cost	107,419	97,256
Less: Accumulated depreciation	(76,316)	(68,842)
Total property and equipment, net	<u>\$ 31,103</u>	<u>\$ 28,414</u>

Depreciation expense was \$3,028 and \$2,630 for the three months ended September 30, 2021 and 2020, respectively, and \$8,142 and \$7,556 for the nine months ended September 30, 2021 and 2020, respectively.

## Note 6: Goodwill and Other Intangible Assets

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

Balance, December 31, 2020	\$ 581,174
Acquisitions	1,061,849
Foreign currency translation adjustments	(50,234)
Other adjustments	(390)
Balance, September 30, 2021	<u>\$ 1,592,399</u>

Details of intangible assets other than goodwill are as follows:

	Estimated Useful Life	September 30, 2021			December 31, 2020		
		Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intangible assets subject to amortization:							
Software and technology	3-5 years	\$ 105,507	\$ (62,028)	\$ 43,479	\$ 67,691	\$ (63,046)	\$ 4,645
Customer relationships	3-10 years	233,305	(77,584)	155,721	97,008	(66,030)	30,978
Trademarks	3-10 years	67,343	(19,543)	47,800	26,610	(16,888)	9,722
Non-compete agreements	5 years	350	(121)	229	350	(68)	282
		<u>406,505</u>	<u>(159,276)</u>	<u>247,229</u>	<u>191,659</u>	<u>(146,032)</u>	<u>45,627</u>
Intangible assets not subject to amortization:							
In-process research and development		4,238	—	4,238	—	—	—
Total intangible assets		<u>\$ 410,743</u>	<u>\$ (159,276)</u>	<u>\$ 251,467</u>	<u>\$ 191,659</u>	<u>\$ (146,032)</u>	<u>\$ 45,627</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of subscriptions and licenses	\$ 2,771	\$ 1,265	\$ 5,017	\$ 3,426
Amortization of purchased intangibles	8,676	3,869	16,703	10,984
Total amortization expense	<u>\$ 11,447</u>	<u>\$ 5,134</u>	<u>\$ 21,720</u>	<u>\$ 14,410</u>

## Note 7: Investments

In August 2021, via its iTwin Ventures corporate venture capital fund, the Company made an investment in a software development company in the form of a \$2,000 convertible note, which the Company accounts for using the cost method. The convertible note will mature in February 2023. The note can be converted into the borrower's equity at the borrower's next issuance of preferred stock. If not previously converted, principal and interest is payable at maturity. As of September 30, 2021, the carrying amount of the Company's convertible note was \$2,006.

In June 2021, in connection with the acquisition of Seequent, the Company recorded an equity method investment arising from a pre-existing investment made by Seequent. The investee offers a broad range of data and software related services with a focus on the mining and exploration industry. During the third quarter of 2021, the Company acquired the remaining interest in this investment and accounted for it as a business combination (see Note 4).

In September 2020, the Company acquired an interest in a software company with a focus on digital twin integration in the energy sector, which the Company accounts for using the cost method. As of September 30, 2021 and December 31, 2020, the carrying amount of the Company's cost method investment was \$3,376 and \$3,440, respectively.

In September 2019, the Company and Topcon Positioning Systems, Inc. ("Topcon") formed Digital Construction Works, Inc. ("DCW"), a joint venture which operates as a digital integrator of software and cloud services for the construction industry, which the Company accounts for using the equity method. DCW's focus is to transform the construction industry from its legacy document-centric paradigm by simplifying and enabling digital automated workflows and processes, technology integration, and digital twinning services for infrastructure. The Company and Topcon each have a 50% ownership in DCW. For the nine months ended September 30, 2021 and 2020, the Company invested \$500 and \$1,500 in DCW, respectively. As of September 30, 2021 and December 31, 2020, the carrying amount of the Company's investment in DCW was de minimis and \$2,251, respectively.

The Company tests its investments for impairment whenever circumstances indicate that the carrying value of the investment may not be recoverable. The Company's investments were not impaired as of September 30, 2021.

*Related Party Disclosures* — Pursuant to Accounting Standards Codification ("ASC") 850-10-20, *Related Party Disclosures*, the Company has determined that DCW is a related party. For the three and nine months ended September 30, 2021 and 2020, transactions between the Company and DCW were not material to the Company's consolidated financial statements.

## Note 8: Leases

The Company's operating leases consist of office facilities, office equipment, and automobiles, and the Company's finance lease consists of computer equipment. The finance lease is not material for the periods presented. As of September 30, 2021, the Company's leases have remaining terms of less than one year to nine years, some of which include one or more options to renew, with renewal terms from one year to ten years and some of which include options to terminate the leases from less than one year to five years.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost <sup>(1)</sup>	\$ 4,836	\$ 4,565	\$ 14,224	\$ 13,424
Variable lease cost	1,082	1,016	2,970	2,898
Short-term lease cost	4	20	15	27
Total operating lease cost	<u>\$ 5,922</u>	<u>\$ 5,601</u>	<u>\$ 17,209</u>	<u>\$ 16,349</u>

(1) Operating lease cost includes rent cost related to operating leases for office facilities of \$4,619 and \$4,386 for the three months ended September 30, 2021 and 2020, respectively, and \$13,588 and \$12,857 for the nine months ended September 30, 2021 and 2020, respectively.

Other information related to leases was as follows:

	Nine Months Ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 14,602	\$ 13,589
Right-of-use assets obtained in exchange for new operating lease liabilities <sup>(1)</sup>	\$ 5,286	\$ 14,530

(1) Right-of-use assets obtained in exchange for new operating lease liabilities does not include the impact from acquisitions of \$12,074 and \$1,668 for the nine months ended September 30, 2021 and 2020, respectively.

The weighted average remaining lease term for operating leases was 3.8 years and 3.7 years as of September 30, 2021 and December 31, 2020, respectively. The weighted average discount rate was 2.1% as of September 30, 2021 and December 31, 2020.

Maturities of operating lease liabilities are as follows:

	September 30, 2021
Remainder of 2021	\$ 5,049
2022	17,420
2023	12,186
2024	7,541
2025	5,268
Thereafter	4,898
Total future lease payments	<u>52,362</u>
Less: Imputed interest	<u>(1,776)</u>
Total operating lease liabilities	<u>\$ 50,586</u>

As of September 30, 2021, the Company had additional operating lease minimum lease payments of \$7,649 for executed leases that have not yet commenced, primarily for office locations.

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

	September 30, 2021	December 31, 2020
Property and equipment	\$ 482	\$ 572
Accumulated depreciation	(394)	(229)
Property and equipment, net	<u>\$ 88</u>	<u>\$ 343</u>
Accruals and other current liabilities	\$ 146	\$ 197
Other liabilities	—	99
Total financing lease liabilities	<u>\$ 146</u>	<u>\$ 296</u>

**Note 9: Accruals and Other Current Liabilities**

Accruals and other current liabilities consist of the following:

	September 30, 2021	December 31, 2020
CSS deposits	\$ 169,216	\$ 110,291
Accrued benefits	41,322	36,613
Accrued compensation	26,721	22,131
Due to customers	13,408	9,869
Accrued acquisition stay bonus	8,630	5,599
Deferred compensation plan liabilities	7,306	169
Contingent consideration from acquisitions	6,900	2,884
Accrued cloud provisioning costs	6,546	7,988
Non-contingent consideration from acquisitions	5,911	685
Accrued professional fees	4,146	4,210
Accrued indirect taxes	3,510	6,361
Employee stock purchase plan contributions	2,589	—
Accrued facility costs	2,153	2,095
Accrued severance and realignment costs	1,337	7,209
Other accrued and current liabilities	17,576	10,689
Total accruals and other current liabilities	<u>\$ 317,271</u>	<u>\$ 226,793</u>



## Note 10: Long-Term Debt

Long-term debt consists of the following:

	September 30, 2021	December 31, 2020
<b>Bank credit facility:</b>		
Senior secured revolving loan facility	\$ 67,854	\$ 246,000
<b>2026 Notes:</b>		
Principal	690,000	—
Unamortized debt issuance costs	(15,585)	—
Net carrying value	674,415	—
<b>2027 Notes:</b>		
Principal	575,000	—
Unamortized debt issuance costs	(14,424)	—
Net carrying value	560,576	—
<b>Total long-term debt</b>	<b>\$ 1,302,845</b>	<b>\$ 246,000</b>

### Bank Credit Facility

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

On June 22, 2021, the Company entered into the Third Amendment to the Credit Facility, which increased the aggregate amount of approved convertible debt to permit the issuance and sale of additional convertible senior notes. See the section titled “—Convertible Senior Notes—2027 Notes” below.

In addition to the senior secured revolving loan facility, the Credit Facility also provides up to \$50,000 of letters of credit and other incremental borrowings subject to availability, including a \$85,000 multi-currency swing-line sub-facility and a \$200,000 incremental “accordion” sub-facility. The Company had \$150 of letters of credit and surety bonds outstanding as of September 30, 2021 and December 31, 2020. As of September 30, 2021 and December 31, 2020, the Company had \$781,996 and \$253,850 available under the Credit Facility.

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

Borrowings under the Credit Facility are guaranteed by all of the Company’s first tier domestic subsidiaries and are secured by a first priority security interest in substantially all of the Company’s and the guarantors’ U.S. assets and 65% of the stock of their directly owned foreign subsidiaries. The Credit Facility contains both affirmative and negative covenants, including maximum leverage ratios. As of September 30, 2021 and December 31, 2020, the Company was in compliance with all covenants in its Credit Facility debt agreements.

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

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

## **Convertible Senior Notes**

### ***2026 Notes***

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

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

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

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

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

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

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

As of September 30, 2021, none of the conditions of the 2026 Notes to early convert has been met.

The 2026 Notes are the Company's senior, unsecured obligations that rank senior in right of payment to the Company's future indebtedness that is expressly subordinated to the 2026 Notes, rank equally in right of payment with the Company's existing and future senior unsecured indebtedness that is not so subordinated (including the Company's 2027 Notes, see the section titled "—2027 Notes" below), effectively subordinated to the Company's existing and future secured indebtedness (including obligations under the Company's senior secured credit facilities), to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables and preferred equity (to the extent the Company is not a holder thereof)) of the Company's subsidiaries. The 2026 Notes contain both affirmative and negative covenants. As of September 30, 2021, the Company was in compliance with all covenants in the 2026 Notes.

### *Capped Call Options*

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

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

### **2027 Notes**

On June 28, 2021, the Company completed a private offering of \$575,000 of 0.375% convertible senior notes due 2027. The 2027 Notes were issued pursuant to an indenture, dated as of June 28, 2021, between the Company and Wilmington Trust, National Association, as trustee (the "2027 Trustee") (the "2027 Indenture"). Interest will accrue from June 28, 2021 and will be payable semi-annually in arrears in cash on January 1 and July 1 of each year, with the first payment due on January 1, 2022. The 2027 Notes will mature on July 1, 2027, unless earlier converted, redeemed or repurchased. The Company incurred \$15,065 of expenses in connection with the 2027 Notes offering consisting of transaction costs. As of September 30, 2021, \$375 of the transaction costs were recorded in *Accounts payable* in the consolidated balance sheet. The Company used \$25,875 of the net proceeds from the sale of the 2027 Notes to pay the premiums of the capped call options described further below, and \$536,062 to repay outstanding indebtedness under the Credit Facility and to pay related fees and expenses.

Prior to April 1, 2027, the 2027 Notes will be convertible at the option of the holder only under the following circumstances: (1) during any calendar quarter (and only during such quarter) commencing after the calendar quarter ending on September 30, 2021, if the last reported sale price per share of the Company's Class B Common Stock exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any ten consecutive trading day period (such ten consecutive trading day period, the "measurement period") in which the trading price per \$1 principal amount of 2027 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's Class B Common Stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company's Class B Common Stock, as described in the 2027 Indenture; and (4) if the Company calls the 2027 Notes for redemption. On or after April 1, 2027 until 5:00 p.m., New York City time, on the second scheduled trading day immediately before the maturity date, the 2027 Notes will be convertible at the option of the holder at any time.

The Company will settle conversions by paying or delivering, as applicable, cash, shares of the Company's Class B Common Stock or a combination of cash and shares of the Company's Class B Common Stock, at the Company's election, based on the applicable conversion rate. The initial conversion rate is 12.0153 shares of the Company's Class B Common Stock per \$1 principal amount of 2027 Notes, which represents an initial conversion price of approximately \$83.23 per share, and is subject to adjustment as described in the 2027 Indenture. If a "make-whole fundamental change" (as defined in the 2027 Indenture) occurs, then the Company will, in certain circumstances, increase the conversion rate for a specified period of time.

The Company will have the option to redeem the 2027 Notes in whole or in part at any time on or after July 5, 2024 and on or before the 40th scheduled trading day immediately before the maturity date if the last reported sale price per share of the Company's Class B common stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during any 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (2) the trading day immediately before the date the Company sends such notice. The redemption price will be equal to the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Upon a fundamental change (as defined in the 2027 Indenture), holders may, subject to certain exceptions, require the Company to purchase their 2027 Notes in whole or in part for cash at a price equal to the principal amount of the 2027 Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date (as defined in the 2027 Indenture). In addition, upon a Make-Whole Fundamental Change (as defined in the 2027 Indenture), the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its 2027 Notes in connection with such Make-Whole Fundamental Change. No adjustment to the conversion rate will be made if the stock price in such Make-Whole Fundamental Change is either less than \$61.65 per share or greater than \$325.00 per share. The Company will not increase the conversion rate to an amount that exceeds 16.2206 shares per \$1 principal amount of 2027 Notes, subject to adjustment. The 2027 Indenture also contains a customary merger covenant.

Under the 2027 Indenture, the 2027 Notes may be accelerated upon the occurrence of certain customary events of default. If certain bankruptcy and insolvency-related events of default with respect to the Company occur, the principal of, and accrued and unpaid interest on, all of the then outstanding 2027 Notes shall automatically become due and payable. If any other event of default occurs and is continuing, the 2027 Trustee by notice to the Company, or the holders of the 2027 Notes of at least 25% in principal amount of the outstanding 2027 Notes by notice to the Company and the 2027 Trustee, may declare the principal of, and accrued and unpaid interest on, all of the then outstanding 2027 Notes to be due and payable. Notwithstanding the foregoing, the 2027 Indenture provides that, to the extent the Company elects, the sole remedy for an event of default relating to certain failures by the Company to comply with reporting covenant in the 2027 Indenture consists exclusively of the right to receive additional interest on the 2027 Notes.

As discussed in Note 2, the Company early adopted ASU 2020-06 as of January 1, 2021 and concluded the 2027 Notes will be accounted for as debt, with no bifurcation of the embedded conversion feature. Transaction costs were recorded as a direct deduction from the related debt liability in the consolidated balance sheet and are amortized to interest expense using the effective interest method over the term of the 2027 Notes. The effective interest rate for the 2027 Notes is 0.864%.

As of September 30, 2021, none of the conditions of the 2027 Notes to early convert has been met.

The 2027 Notes are the Company's senior, unsecured obligations that rank senior in right of payment to the Company's future indebtedness that is expressly subordinated to the 2027 Notes, rank equally in right of payment with the Company's existing and future senior unsecured indebtedness that is not so subordinated (including the Company's 2026 Notes), effectively subordinated to the Company's existing and future secured indebtedness (including obligations under the Company's senior secured credit facilities), to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables and preferred equity (to the extent the Company is not a holder thereof)) of the Company's subsidiaries. The 2027 Notes contain both affirmative and negative covenants. As of September 30, 2021, the Company was in compliance with all covenants in the 2027 Notes.

### Capped Call Options

In connection with the pricing of the 2027 Notes, the Company entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. The Company incurred \$50 of expenses in connection with the capped call options, which were recorded in *Accounts payable* in the consolidated balance sheet as of September 30, 2021. The capped call options are expected to reduce potential dilution to the Company's Class B Common Stock upon any conversion of 2027 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the capped call options is initially \$95.5575 per share, which represents a premium of 55% above the last reported sale price per share of the Company's Class B Common Stock on the Nasdaq Global Select Market on June 23, 2021 and is subject to customary adjustments under the terms of the capped call options.

The capped call options were entered into in conjunction with the issuance of the 2027 Notes, however, they are legally separate agreements that can be separately exercised, with the receipt of shares under the capped call options having no effect on the 2027 Notes, and are legally detachable. As the capped call options are both legally detachable and separately exercisable from the 2027 Notes, the Company accounts for the capped call options separately from the 2027 Notes. The capped call options are indexed to the Company's own common stock and classified in stockholders' equity. As such, the premiums paid for the capped call options have been included as a net reduction to *Additional paid-in capital* in the consolidated balance sheet.

### Interest Expense

Interest expense consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Bank credit facility:</b>				
Senior secured revolving loan facility <sup>(1)</sup>	\$ 911	\$ 1,519	\$ 2,490	\$ 3,953
Interest rate swap	325	288	942	398
Amortization and write-off of deferred debt issuance costs	253	153	1,049	430
	<u>1,489</u>	<u>1,960</u>	<u>4,481</u>	<u>4,781</u>
<b>2026 Notes:</b>				
Coupon interest	221	—	592	—
Amortization of deferred debt issuance costs	909	—	2,470	—
	<u>1,130</u>	<u>—</u>	<u>3,062</u>	<u>—</u>
<b>2027 Notes:</b>				
Coupon interest	551	—	563	—
Amortization of deferred debt issuance costs	627	—	641	—
	<u>1,178</u>	<u>—</u>	<u>1,204</u>	<u>—</u>
Other obligations	64	15	97	40
<b>Total interest expense</b>	<u>\$ 3,861</u>	<u>\$ 1,975</u>	<u>\$ 8,844</u>	<u>\$ 4,821</u>

(1) The weighted average interest rate was 2.33% and 1.59% for the three months ended September 30, 2021 and 2020, respectively, and 2.02% and 1.92% for the nine months ended September 30, 2021 and 2020, respectively.

Interest rate risk associated with the Credit Facility is managed through an interest rate swap which the Company executed on March 31, 2020. The swap has an effective date of April 2, 2020 and a termination date of April 2, 2030. Under the terms of the swap, the Company fixed its LIBOR borrowing rate at 0.73% on a notional amount of \$200,000. The interest rate swap is not designated as a hedging instrument for accounting purposes. The Company accounts for the swap as either an asset or a liability in the consolidated balance sheets and carries the derivative at fair value. Gains and losses from the change in fair value are recognized in *Other (expense) income, net* in the consolidated statements of operations. As of September 30, 2021 and December 31, 2020, the Company recorded a swap related asset at fair value of \$9,545 and \$347, respectively, in *Other assets* in the consolidated balance sheets.

#### **Note 11: Executive Bonus Plan**

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

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

For the three months ended September 30, 2021 and 2020, the incentive compensation, including cash payments, election to receive shares of fully vested Class B Common Stock beginning in the fourth quarter of 2020, and deferred compensation to plan participants, recognized under this plan (net of all applicable holdbacks) was \$8,128 and \$9,905, respectively, and \$24,686 and \$26,469 for the nine months ended September 30, 2021 and 2020, respectively.

## Note 12: Retirement Plans

Under the Company's unfunded DCP, certain officers and key employees may defer all or any part of their incentive compensation, and the Company may make discretionary awards on behalf of such participants. Elective participant deferrals and discretionary Company awards are received in the form of phantom shares of the Company's Class B Common Stock, which are valued for tax and accounting purposes in the same manner as actual shares of Class B Common Stock, and are recorded as stock-based compensation expense in the consolidated statements of operations (see Note 15).

In August 2021, the Company's Board of Directors approved an amendment to the DCP, which offered to certain active executives in the DCP a one-time, short-term election to reallocate a limited portion of their DCP holdings from phantom shares of the Company's Class B Common Stock into other DCP phantom investment funds. The offer to reallocate was subject to a proration mechanism which adjusted the aggregate elections to a maximum of 1,500,000 phantom shares of the Company's Class B Common Stock. This resulted in a reduction of 1,500,000 shares in both the basic and diluted count of Company shares.

While DCP participants' investments in phantom shares remain equity classified, as they will be settled in shares of Class B Common Stock upon eventual distribution, the amendment and elections resulted in a change to liability classification for the reallocated phantom investments, as they will be settled in cash upon eventual distribution. As a result, during the three and nine months ended September 30, 2021, the Company reclassified cumulative compensation cost of \$4,739 from *Additional paid-in capital* to *Accruals and other current liabilities* or *Deferred compensation plan liabilities* in the consolidated balance sheet and recognized a compensation charge of \$90,721 to *Deferred compensation plan* expenses in the consolidated statements of operations to record the reallocated deferred compensation plan liabilities at their fair value of \$95,460. Subsequent to the one-time reallocation, these diversified deferred compensation plan liabilities are marked to market at the end of each reporting period, with changes in the liabilities recorded as an expense (income) to *Deferred compensation plan* in the consolidated statements of operations.

Amounts in the DCP attributable to certain non-colleague participants are settled in cash and are classified as liabilities in either *Accruals and other current liabilities* or *Deferred compensation plan liabilities* in the consolidated balance sheets. The deferred compensation plan liabilities are marked to market at the end of each reporting period, with changes in the liabilities recorded as an expense (income) to *Deferred compensation plan* in the consolidated statements of operations.

*Deferred compensation plan* expense (income) was \$88,965 and \$50 for the three months ended September 30, 2021 and 2020, respectively, and \$89,327 and \$(115) for the nine months ended September 30, 2021 and 2020, respectively.

For the three months ended September 30, 2021 and 2020, DCP elective participant deferrals were \$527 and \$804, respectively, and \$2,020 and \$2,602 for the nine months ended September 30, 2021 and 2020, respectively. No discretionary contributions were made to the DCP during the three and nine months ended September 30, 2021 and 2020. As of September 30, 2021 and December 31, 2020, phantom shares of the Company's Class B Common Stock issuable by the DCP were 25,503,049 and 30,590,955, respectively.

The total liabilities related to the DCP is included in the consolidated balance sheets as follows:

	September 30, 2021	December 31, 2020
Accruals and other current liabilities	\$ 7,306	\$ 169
Deferred compensation plan liabilities	89,174	2,422
Total DCP liabilities	<u>\$ 96,480</u>	<u>\$ 2,591</u>



## **Note 13: Common Stock**

### ***Sales, Repurchases, and Issuances of Company Common Stock***

On June 17, 2021, the Company issued 3,141,342 shares of the Company's Class B Common Stock pursuant to the acquisition of Seequent (see Note 4).

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

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

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

During the nine months ended September 30, 2020, the investor purchased 4,574,567 shares under the Common Stock Purchase Agreement, with 3,769,346 of such shares having been repurchased by the Company and re-sold to the investor for consideration of \$58,349 and 805,053 shares acquired directly by the investor for consideration of \$12,462. As of December 31, 2020, the investor reached the maximum purchase amount of \$250,000.

For the nine months ended September 30, 2021, the Company issued 4,269,335 shares of Class B Common Stock to colleagues who exercised their stock options, net of 993,302 shares withheld at exercise to pay for the cost of the stock options, as well as for \$34,988 of applicable income tax withholdings. The Company received \$5,039 in proceeds from the exercise of stock options.

For the nine months ended September 30, 2020, the Company issued 3,506,103 shares of Class B Common Stock to colleagues who exercised their stock options, net of 1,358,841 shares withheld at exercise to pay for the cost of the stock options, as well as for \$3,618 of applicable income tax withholdings. The Company received \$7,776 in proceeds from the exercise of stock options. For the nine months ended September 30, 2020, the Company paid \$1,454 for 128,176 shares sold back to the Company upon exercise of the Put and Call provisions under its applicable equity incentive plans. Upon the completion of the IPO, the Put and Call provisions of the Company's Amended and Restated 2015 Equity Incentive Plan (the "2015 Equity Incentive Plan") terminated automatically.

For the nine months ended September 30, 2021, the Company issued 190,619 shares of Class B Common Stock in connection with Bonus Plan incentive compensation, net of shares withheld. Of the total 322,160 shares awarded, 131,541 shares were sold back to the Company to pay for applicable income tax withholdings of \$6,586.

For the nine months ended September 30, 2021 and 2020, the Company issued 2,290,999 and 2,984,531 shares of Class B Common Stock to DCP participants in connection with distributions from the plan. The distribution in shares for the nine months ended September 30, 2021 totaled 3,674,787 shares of which 1,383,788 shares were sold back to the Company in the same period to pay for applicable income tax withholdings of \$65,684. The distribution in shares for the nine months ended September 30, 2020 totaled 3,165,759 shares of which 181,228 shares were sold back to the Company to pay for the cost of applicable income tax withholding of \$1,877.

For the nine months ended September 30, 2021, the Company did not repurchase shares from its profit-sharing plan. The Company repurchased 549,834 shares from its profit-sharing plan for \$6,970 for the nine months ended September 30, 2020.

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

	<b>Dividend Per Share</b>	<b>Amount</b>
<b>2021:</b>		
Third quarter	\$ 0.03	\$ 8,485
Second quarter	0.03	8,372
First quarter	0.03	8,219
<b>2020:</b>		
Third quarter <sup>(1)</sup>	\$ 1.53	\$ 400,311
Second quarter	0.03	7,771
First quarter	0.03	7,666

(1) As previously discussed in Note 1, on August 28, 2020, the Company's board of directors declared a Special Dividend of \$1.50 per share of the Company's common stock (\$392,489 in the aggregate).

**Global Employee Stock Purchase Plan** — Effective September 22, 2020, the Company's Board and its stockholders adopted and approved the Bentley Systems, Incorporated Global Employee Stock Purchase Plan (the "ESPP"). The ESPP provides eligible colleagues of the Company with an opportunity to contribute up to 15% of their eligible compensation toward the purchase of the Company's Class B Common Stock at a discounted price, up to a maximum of \$25 per year and subject to any other plan limitations. The ESPP has 25,000,000 shares of Class B Common Stock reserved for issuance. The ESPP has been implemented by means of consecutive offering periods, with the first offering period commencing on the first trading day on or after January 1, 2021 and ending on the last trading day on or before June 30, 2021. Unless otherwise determined by the board of directors, offering periods will run from January 1st (or the first trading day thereafter) through June 30th (or the first trading day prior to such date), and from July 1st (or the first trading day thereafter) through December 31st (or the first trading day prior to such date). The purchase price per share at which shares of Class B Common Stock are sold in an offering period under the ESPP will be equal to the lesser of 85% of the fair market value of a share of Class B Common Stock (i) on the first trading day of the offering period, or (ii) on the purchase date (i.e., the last trading day of the purchase period). During the nine months ended September 30, 2021, colleagues who elected to participate in the ESPP purchased a total of 104,716 shares of Class B Common Stock, net of shares withheld, resulting in cash proceeds to the Company of \$3,845. Of the total 111,486 shares purchased, 6,770 shares were sold back to the Company to pay for applicable income tax withholdings of \$438. As of September 30, 2021, \$2,589 of ESPP withholding via colleague payroll deduction were recorded in *Accruals and other current liabilities* in the consolidated balance sheet.

**Note 14: Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss consists of the following during the three months ended September 30, 2021 and 2020:

	Foreign Currency Translation	Actuarial (Loss) Gain on Retirement Plan	Total
Balance, June 30, 2021	\$ (53,914)	\$ (972)	\$ (54,886)
Other comprehensive (loss) income, before taxes	(27,014)	28	(26,986)
Tax expense	—	(8)	(8)
Other comprehensive (loss) income, net of taxes	(27,014)	20	(26,994)
Balance, September 30, 2021	<u>\$ (80,928)</u>	<u>\$ (952)</u>	<u>\$ (81,880)</u>

	Foreign Currency Translation	Actuarial (Loss) Gain on Retirement Plan	Total
Balance, June 30, 2020	\$ (27,411)	\$ (993)	\$ (28,404)
Other comprehensive (loss) income, before taxes	(812)	11	(801)
Tax expense	—	(6)	(6)
Other comprehensive (loss) income, net of taxes	(812)	5	(807)
Balance, September 30, 2020	<u>\$ (28,223)</u>	<u>\$ (988)</u>	<u>\$ (29,211)</u>

Accumulated other comprehensive loss consists of the following during the nine months ended September 30, 2021 and 2020:

	Foreign Currency Translation	Actuarial (Loss) Gain on Retirement Plan	Total
Balance, December 31, 2020	\$ (25,219)	\$ (1,014)	\$ (26,233)
Other comprehensive (loss) income, before taxes	(55,709)	87	(55,622)
Tax expense	—	(25)	(25)
Other comprehensive (loss) income, net of taxes	(55,709)	62	(55,647)
Balance, September 30, 2021	<u>\$ (80,928)</u>	<u>\$ (952)</u>	<u>\$ (81,880)</u>

	Foreign Currency Translation	Actuarial (Loss) Gain on Retirement Plan	Total
Balance, December 31, 2019	\$ (22,908)	\$ (1,019)	\$ (23,927)
Other comprehensive (loss) income, before taxes	(5,315)	52	(5,263)
Tax expense	—	(21)	(21)
Other comprehensive (loss) income, net of taxes	(5,315)	31	(5,284)
Balance, September 30, 2020	<u>\$ (28,223)</u>	<u>\$ (988)</u>	<u>\$ (29,211)</u>

## Note 15: Equity Awards and Instruments

### Stock-Based Compensation Expense

Total stock-based compensation expense was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
IPO vested restricted stock and RSU expense	\$ —	\$ 15,445	\$ —	\$ 15,445
Stock option expense	773	2,893	2,494	5,849
Restricted stock and RSUs expense <sup>(1)</sup>	4,681	2,067	11,139	2,104
Stock grants expense	—	—	450	219
Bonus Plan expense (see Note 11)	5,586	—	17,181	—
DCP elective participant deferrals expense <sup>(2)</sup> (see Note 12)	173	—	173	—
ESPP expense (see Note 13)	539	—	1,416	—
Total pre-tax expense <sup>(3)</sup>	<u>\$ 11,752</u>	<u>\$ 20,405</u>	<u>\$ 32,853</u>	<u>\$ 23,617</u>

(1) Includes acquisition-related shares (see Note 4).

(2) DCP elective participant deferrals expense excludes deferred incentive bonus payable pursuant to the Bonus Plan.

(3) As of September 30, 2021 and December 31, 2020, \$6,126 and \$6,835 remained in *Accruals and other current liabilities* in the consolidated balance sheets, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of subscriptions and licenses	\$ 323	\$ 896	\$ 822	\$ 943
Cost of services	235	2,604	685	2,779
Research and development	5,227	6,955	14,069	8,110
Selling and marketing	1,582	5,183	3,885	5,987
General and administrative	4,385	4,767	13,392	5,798
Total pre-tax expense	<u>\$ 11,752</u>	<u>\$ 20,405</u>	<u>\$ 32,853</u>	<u>\$ 23,617</u>

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

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

## Stock Options

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

	Stock Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2020	12,842,226	\$ 4.87		
Exercised	(5,262,637)	4.35		
Forfeited	(243,250)	5.53		
Outstanding, September 30, 2021	<u>7,336,339</u>	<u>\$ 5.23</u>	<u>1.78</u>	<u>\$ 406,515</u>
Exercisable, September 30, 2021	<u>4,228,714</u>	<u>\$ 4.96</u>	<u>1.47</u>	<u>\$ 235,458</u>

For the nine months ended September 30, 2021 and 2020, the Company received cash proceeds of \$5,039 and \$7,776, respectively, related to the exercise of stock options. The total intrinsic value of stock options exercised for the nine months ended September 30, 2021 and 2020 was \$250,795 and \$58,502, respectively.

As of September 30, 2021, there was \$3,489 of unrecognized compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of approximately 1.2 years.

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

## Restricted Stock and RSUs

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

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

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

	Total Restricted Stock and RSUs	Time- Based Restricted Stock and RSUs	Performance- Based Restricted Stock and RSUs	Time- Based Weighted Average Grant Date Fair Value Per Share	Performance- Based Weighted Average Grant Date Fair Value Per Share
Unvested, December 31, 2020	1,423,715	1,263,193	160,522 <sup>(3)</sup>	\$ 16.38	\$ 16.62
Granted	693,016 <sup>(1)</sup>	593,208	99,808 <sup>(4)</sup>	51.22	49.93
Vested	(332,532)	(297,602)	(34,930) <sup>(3)</sup>	15.30	16.62
Forfeited	(192,999)	(64,282)	(128,717)	20.56	17.43
Unvested, September 30, 2021	<u>1,591,200 <sup>(2)</sup></u>	<u>1,494,517</u>	<u>96,683</u>	<u>\$ 30.20</u>	<u>\$ 49.93</u>

(1) For the nine months ended September 30, 2021, the Company only granted RSUs.

(2) Includes 43,735 RSUs which are expected to be settled in cash.

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

(4) Relates to the 2021 annual performance period.

During the first quarter of 2020, the Company granted 12,454 shares of restricted stock, which were subject to a quarterly time-based vesting schedule ending March 31, 2021, and had a weighted average grant date fair value of \$10.84. During the third quarter of 2020, the Company granted 1,197,760 shares of restricted stock and RSUs, which vest ratably on each of the first four anniversaries of the grant date. During the third quarter of 2020, the Company granted 185,324 shares of restricted stock and RSUs, which are subject to performance-based vesting. During the third quarter of 2020, the Company granted 994,912 shares of restricted stock and RSUs, which vested upon the Company's completion of the IPO on September 25, 2020. The weighted average grant date fair value of restricted stock and RSUs granted during the third quarter of 2020 was \$15.48.

In 2016, the Company granted RSUs subject to performance-based vesting as determined by the achievement of certain business growth targets. Certain colleagues elected to defer delivery of such shares upon vesting. During the nine months ended September 30, 2021 and 2020, 10,864 and 26,760 shares, respectively, were delivered to colleagues, and 33 and 3,006 additional shares, respectively, were earned as a result of dividends. As of September 30, 2021 and December 31, 2020, 20,209 and 31,040 shares, respectively, of these vested and deferred RSUs remained outstanding.

For the nine months ended September 30, 2021 and 2020, restricted stock and RSUs were issued net of 103,573 and 12,940 shares, respectively, which were sold back to the Company to settle applicable income tax withholdings of \$6,352 and \$135, respectively.

As of September 30, 2021, there was \$41,995 of unrecognized compensation expense related to unvested time-based restricted stock and RSUs, which is expected to be recognized over a weighted average period of approximately 2.1 years. There was no remaining unrecognized compensation expense related to unvested performance-based restricted stock. As of September 30, 2021, there was \$976 of unrecognized compensation expense related to unvested performance-based RSUs, which is expected to be recognized over a weighted average period of approximately 0.3 years.

## Stock Grants

For the nine months ended September 30, 2021 and 2020, the Company granted 7,824 and 17,411 fully vested shares of Class B Common Stock, respectively, with a fair value of \$450 and \$219, respectively.

## ESPP

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

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

## Equity Awards Subsequent to September 30, 2021

In October 2021, the Company granted 199,569 time-based RSUs with vesting terms of 25% in the fourth quarter of 2021 and the remaining 75% ratably on each of the first three anniversaries of the grant date. The unrecognized compensation expense related to these RSUs is approximately \$11,553, which is expected to be recognized over a weighted average period of approximately two years.

## Note 16: Income Taxes

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

The income tax provisions for the three months ended September 30, 2021 and 2020 were based on the estimated annual effective income tax rates adjusted for discrete items occurring during the periods presented. For the three months ended September 30, 2021 and 2020, the Company recognized an aggregate consolidated income tax expense of \$4,223 and \$10,705, respectively, for U.S. domestic and foreign income taxes. For the three months ended September 30, 2021 and 2020, the Company recorded a discrete tax benefit of \$6,724 and \$3,826, respectively, associated with stock-based compensation. The effective income tax rate was (9.3)% on *Loss before income taxes* of \$45,241 for the three months ended September 30, 2021, as compared to the effective income tax rate of 62.5% on *Income before income taxes* of \$17,130 for the three months ended September 30, 2020. For the three months ended September 30, 2021, the Company recognized a compensation charge of \$90,721 to *Deferred compensation plan* expenses to record its reallocated deferred compensation plan liabilities at fair value (see Note 12). The effective income tax rate of (9.3)% for the three months ended September 30, 2021 was primarily due to the loss before income taxes resulting from this compensation charge, combined with a significant reduction in associated tax benefits due to officer compensation limitation provisions relating to this charge. The effective income tax rate of 62.5% for the three months ended September 30, 2020 was primarily due to officer compensation limitation provisions resulting from the Company's IPO, which went effective during the three months ended September 30, 2020, and the non-deductibility of expenses associated with the Company's IPO, partially offset by discrete windfall tax benefits from stock-based compensation.

The income tax provisions for the nine months ended September 30, 2021 and 2020 were based on the estimated annual effective income tax rates adjusted for discrete items occurring during the periods presented. For the nine months ended September 30, 2021 and 2020, the Company recognized an aggregate consolidated income tax (benefit) expense of \$(6,165) and \$22,145, respectively, for U.S. domestic and foreign income taxes. For the nine months ended September 30, 2021 and 2020, the Company recorded a discrete tax benefit of \$55,102 and \$10,511, respectively, associated with stock-based compensation. The effective income tax rate of (12.7)% on *Income before income taxes* of \$48,562 for the nine months ended September 30, 2021 was lower than the effective income tax rate of 22.6% on *Income before income taxes* of \$98,181 for the nine months ended September 30, 2020 primarily due to discrete windfall tax benefits from stock-based compensation, partially offset by the impact from officer compensation limitation provisions.

#### Note 17: Fair Value of Financial Instruments

##### *Derivatives Not Designated As Hedging Instrument*

On March 31, 2020, the Company entered into an interest rate swap with a notional amount of \$200,000 and a ten-year term to reduce the interest rate risk associated with the Company's Credit Facility. The interest rate swap is not designated as a hedging instrument for accounting purposes. The Company accounts for the swap as either an asset or a liability in the consolidated balance sheets and carries the derivative at fair value.

The following is a summary of the interest rate swap activity and the location the activity is recognized in the consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,		Recognized in Consolidated Statements of Operations
	2021	2020	2021	2020	
Interest rate swap:					
Gain (loss) from change in fair value	\$ 1,463	\$ 809	\$ 9,198	\$ (3,365)	<i>Other (expense) income, net</i>
Payments	325	288	942	398	<i>Interest expense, net</i>

##### *Fair Value*

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

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

The carrying values of the Company's financial instruments excluding long-term debt approximate their fair value due to the short-term nature of those instruments. Additionally, as of December 31, 2020, the fair value of the Company's borrowings under its Credit Facility approximated its carrying value based upon discounted cash flows at current market rates for instruments with similar remaining terms. The Company considers these valuation inputs to be Level 2 inputs in the fair value hierarchy. The estimated fair value of the 2026 Notes and 2027 Notes was \$794,356 and \$585,258, respectively, as of September 30, 2021 based on quoted market prices of the Company's instrument in markets that are not active and are classified as Level 2 within the fair value hierarchy. Considerable judgment is necessary to interpret the market data and develop estimates of fair values. Accordingly, the estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold, or settled.



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

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

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

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

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

<b>September 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Money market funds <sup>(1)</sup>	\$ 21	\$ —	\$ —	\$ 21
Interest rate swap <sup>(2)</sup>	—	9,545	—	9,545
<b>Total assets</b>	<b>\$ 21</b>	<b>\$ 9,545</b>	<b>\$ —</b>	<b>\$ 9,566</b>
<b>Liabilities:</b>				
Acquisition contingent consideration <sup>(3)</sup>	\$ —	\$ —	\$ 9,033	\$ 9,033
Deferred compensation plan liabilities <sup>(4)</sup>	96,480	—	—	96,480
Cash-settled equity awards <sup>(5)</sup>	247	—	—	247
<b>Total liabilities</b>	<b>\$ 96,727</b>	<b>\$ —</b>	<b>\$ 9,033</b>	<b>\$ 105,760</b>
<b>December 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Money market funds <sup>(1)</sup>	\$ 34,696	\$ —	\$ —	\$ 34,696
Interest rate swap <sup>(2)</sup>	—	347	—	347
<b>Total assets</b>	<b>\$ 34,696</b>	<b>\$ 347</b>	<b>\$ —</b>	<b>\$ 35,043</b>
<b>Liabilities:</b>				
Acquisition contingent consideration <sup>(3)</sup>	\$ —	\$ —	\$ 4,299	\$ 4,299
Deferred compensation plan liabilities <sup>(4)</sup>	2,591	—	—	2,591
Cash-settled equity awards <sup>(5)</sup>	195	—	—	195
<b>Total liabilities</b>	<b>\$ 2,786</b>	<b>\$ —</b>	<b>\$ 4,299</b>	<b>\$ 7,085</b>

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

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

(3) Included in *Other liabilities*, except for current liabilities of \$6,900 and \$2,884 as of September 30, 2021 and December 31, 2020, respectively, which are included in *Accruals and other current liabilities* in the consolidated balance sheets. Acquisition contingent consideration liability is measured at fair value and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions the Company believes would be made by a market participant.

- (4) Included in *Deferred compensation plan liabilities*, except for current liabilities of \$7,306 and \$169 as of September 30, 2021 and December 31, 2020, respectively, which are included in *Accruals and other current liabilities* in the consolidated balance sheets.
- (5) Included in *Accruals and other current liabilities* in the consolidated balance sheets.

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

	<b>Nine Months Ended September 30, 2021</b>	<b>Year Ended December 31, 2020</b>
Balance, beginning of year	\$ 4,299	\$ 6,599
Payments	(741)	(3,425)
Addition	5,581	2,380
Change in fair value	—	(1,340)
Foreign currency translation adjustments	(106)	85
Balance, end of period	<u>\$ 9,033</u>	<u>\$ 4,299</u>

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

#### **Note 18: Commitments and Contingencies**

**Purchase Commitment** — In the normal course of business, the Company enters into various purchase commitments for goods and services. As of September 30, 2021, the non-cancelable future cash purchase commitment for services related to the cloud provisioning of the Company's software solutions was \$59,700 through May 2023. The Company expects to fully consume its contractual commitment in the ordinary course of operations.

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

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

#### **Note 19: Geographic Data**

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Long-lived assets:		
Americas <sup>(1)</sup>	\$ 100,114	\$ 50,306
EMEA	48,285	56,322
APAC	182,813	13,541
Total long-lived assets	<u>\$ 331,212</u>	<u>\$ 120,169</u>

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

**Note 20: Interest Expense, Net**

Interest expense, net is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest expense	\$ (3,861)	\$ (1,975)	\$ (8,844)	\$ (4,821)
Interest income	25	41	236	371
Interest expense, net	\$ (3,836)	\$ (1,934)	\$ (8,608)	\$ (4,450)

**Note 21: Other (Expense) Income, Net**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Foreign exchange (loss) gain <sup>(1)</sup>	\$ (2,446)	\$ 12,830	\$ (248)	\$ 8,567
Other income (expense), net <sup>(2)</sup>	1,489	911	9,996	(1,811)
Total other (expense) income, net	\$ (957)	\$ 13,741	\$ 9,748	\$ 6,756

(1) Foreign exchange (loss) gain is primarily attributable to foreign currency translation derived primarily from U.S. Dollar denominated cash and cash equivalents, account receivables, and intercompany balances held by foreign subsidiaries. Intercompany finance transactions denominated in U.S. Dollars resulted in unrealized foreign exchange (losses) gains of \$(2,741) and \$12,284 for the three months ended September 30, 2021 and 2020, respectively, \$(1,298) and \$10,519 for the nine months ended September 30, 2021 and 2020, respectively.

(2) For the three months ended September 30, 2021 and 2020, other income (expense), net includes a gain from the change in fair value of the Company's interest rate swap of \$1,463 and \$809, respectively (see Note 17). For the nine months ended September 30, 2021, other income (expense), net includes a gain from the change in fair value of the Company's interest rate swap of \$9,198 (see Note 17). For the nine months ended September 30, 2020, other income (expense), net includes a loss from the change in fair value of the Company's interest rate swap of \$3,365 (see Note 17), partially offset by a gain from the change in fair value of acquisition contingent consideration of \$1,340.

## Note 22: Realignment Costs

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

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

Balance, December 31, 2020	\$	6,240
Payments		(5,813)
Adjustments <sup>(1)</sup>		(284)
Balance, September 30, 2021	\$	<u>143</u>

(1) Adjustments includes foreign currency translation.

## Note 23: Net (Loss) Income Per Share

Net (loss) income per share of Class A and Class B Common Stock amounts are computed using the two-class method required for participating securities and using the if-converted method for the convertible senior notes in accordance with ASU 2020-06.

The Company issues certain restricted stock awards determined to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of the Company's declaration of a dividend for common shares. As of September 30, 2021 and 2020, there were 99,683 and 148,087 participating securities outstanding, respectively.

Undistributed net (loss) income allocated to participating securities are subtracted from net (loss) income in determining basic net (loss) income attributable to common stockholders. Basic net (loss) income per share is computed by dividing basic net (loss) income attributable to common stockholders by the weighted average number of shares, inclusive of undistributed shares held in the DCP as phantom shares of the Company's Class B Common Stock.

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

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

The details of basic and diluted net (loss) income per share are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Numerator:</b>				
Net (loss) income	\$ (50,128)	\$ 5,844	\$ 51,788	\$ 74,589
Less: Net (loss) income attributable to participating securities	(3)	(4)	(6)	(4)
Net (loss) income attributable to Class A and Class B common stockholders, basic	(50,131)	5,840	51,782	74,585
Add: Interest expense, net of tax, attributable to assumed conversion of convertible senior notes	— <sup>(1)</sup>	—	—	—
Net (loss) income attributable to Class A and Class B common stockholders, diluted	<u>\$ (50,131)</u>	<u>\$ 5,840</u>	<u>\$ 51,782</u>	<u>\$ 74,585</u>
<b>Denominator:</b>				
Weighted average shares, basic	308,195,379	289,318,391	305,119,985	287,063,892
Dilutive effect of stock options, restricted stock, and RSUs	—	10,316,570	9,430,643	10,187,457
Dilutive effect of ESPP	—	—	107,508	—
Dilutive effect of assumed conversion of convertible senior notes	—	—	—	—
Weighted average shares, diluted	<u>308,195,379</u>	<u>299,634,961</u>	<u>314,658,136</u>	<u>297,251,349</u>
Net (loss) income per share, basic	<u>\$ (0.16)</u>	<u>\$ 0.02</u>	<u>\$ 0.17</u>	<u>\$ 0.26</u>
Net (loss) income per share, diluted	<u>\$ (0.16)</u>	<u>\$ 0.02</u>	<u>\$ 0.16</u>	<u>\$ 0.25</u>

(1) The effect of interest expense, net of tax, attributable to assumed conversion of convertible senior notes for the three months ended September 30, 2021 has been excluded from the calculation of diluted net loss per share due to the net loss for the period.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options, restricted stock, and RSUs	8,174,124	—	90,400	1,150,860
ESPP	97,804	—	—	—
Convertible senior notes	17,667,623	—	12,076,899	—
Total anti-dilutive securities	25,939,551 <sup>(1)</sup>	—	12,167,299	1,150,860

(1) The effect of dilutive securities for the three months ended September 30, 2021 have been excluded from the calculation of diluted net loss per share as those potential common shares would have been anti-dilutive due to the net loss for the period, except for 90,400 RSUs that were anti-dilutive under the two-class method calculation of diluted net (loss) income per share.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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

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

### Overview:

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

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

- *public works* (including roads, rail, airports, ports, and water and wastewater networks)/*utilities* (including electric, gas, water, and communications). We estimate that this sector represents 51% of the net infrastructure asset value of the global top 500 infrastructure owners based on the 2020 edition of the *Bentley Infrastructure 500 Top Owners*, our annual compilation of the world’s largest infrastructure owners ranked by net depreciated value of their tangible fixed assets;
- *industrial* (including discrete and process manufacturing, power generation, and water treatment plants)/*resources* (including oil and gas, mining, and offshore). We estimate that this sector represents 37% of the global top 500 infrastructure owners’ net infrastructure asset value; and
- *commercial/facilities* (including office buildings, hospitals, and campuses). We estimate that this sector represents 12% of the global top 500 infrastructure owners’ net infrastructure asset value.

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

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

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

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

**Our Commercial Offerings:**

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

	Subscription Offerings				Perpetual Licenses	Professional Services
	SELECT Subscriptions	Enterprise Subscriptions		Term License Subscriptions		
		E365	ELS			
<b>Overview</b>	<ul style="list-style-type: none"> <li>Prepaid annual recurring subscription based on owned perpetual licenses</li> </ul>	<ul style="list-style-type: none"> <li>Complete and unlimited global access to our comprehensive portfolio of solutions</li> <li>Includes benefits of SELECT subscriptions</li> </ul>		<ul style="list-style-type: none"> <li>Consumption-based growth and expansion</li> </ul>	<ul style="list-style-type: none"> <li>Available for accounts that prefer to own software licenses</li> </ul>	<ul style="list-style-type: none"> <li>Offered alongside all subscription and license offerings</li> </ul>
<b>Topic 606 Revenue Recognition</b>	<ul style="list-style-type: none"> <li>Substantially ratable</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>Substantially upfront</li> </ul>	<ul style="list-style-type: none"> <li>Usage based, or substantially upfront if prepaid</li> </ul>	<ul style="list-style-type: none"> <li>Upfront</li> </ul>	<ul style="list-style-type: none"> <li>As delivered</li> </ul>
<b>Key Features</b>	<ul style="list-style-type: none"> <li>Software upgrades</li> <li>Technical support</li> <li>License pooling</li> <li>CONNECTservices</li> <li>Open Access</li> <li>Portfolio Balancing</li> </ul>	<ul style="list-style-type: none"> <li>Unlimited portfolio access and users</li> <li>Global pricing</li> <li>Success Plan services included</li> </ul>	<ul style="list-style-type: none"> <li>Unlimited portfolio access; unlimited users</li> <li>License pooling</li> </ul>	<ul style="list-style-type: none"> <li>For <i>Applications</i>: unlimited portfolio access; unlimited users</li> <li>For <i>ProjectWise</i> and <i>AssetWise</i>: term access via <i>Passports</i> and <i>Visas</i> or <i>Annual Subscriptions</i></li> </ul>	<ul style="list-style-type: none"> <li>License ownership for select accounts</li> </ul>	<ul style="list-style-type: none"> <li>Training</li> <li>Implementation</li> <li>Configuration</li> <li>Customization</li> <li>Strategic consulting</li> </ul>

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

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



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

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

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

#### *Term License Subscriptions*

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

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

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

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

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

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

#### *Perpetual Licenses*

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

#### *Professional Services*

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

#### **Key Business Metrics:**

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

	Twelve Months Ended September 30,	
	2021	2020
Last twelve-months recurring revenues	\$ 786,074	\$ 682,712
Constant Currency:		
Annualized recurring revenues (“ARR”) growth rate	26 %	9 %
Account retention rate	98 %	98 % <sup>(1)</sup>
Recurring revenues dollar-based net retention rate	106 %	110 % <sup>(1)</sup>

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

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

We believe that last twelve-months recurring revenues is an important indicator of our performance during the immediately preceding twelve-month time period. We believe that we will continue to experience favorable growth in recurring revenues due to our strong account retention and recurring revenues dollar-based net retention rates, as well as the addition of new accounts with recurring revenues. The last twelve-months recurring revenues for the periods ended September 30, 2021 compared to the last twelve-months of the preceding twelve-month period increased by \$103,362. This increase was primarily due to growth in ARR, which is primarily the result of growth in our recurring revenues dollar-based net retention rate, as well as additional recurring revenues resulting from new accounts and acquisitions. For the twelve months ended September 30, 2021, 86% of our revenues were recurring revenues.

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

**ARR growth rate.** Our ARR growth rate is the growth rate of our ARR, measured on a constant currency basis. Our ARR is defined as the sum of the annualized value of our portfolio of contracts that produce recurring revenue as of the last day of the reporting period, and the annualized value of the last three months of recognized revenues for our contractually recurring consumption-based software subscriptions with consumption measurement durations of less than one year. We believe that the last three months of recognized revenues, on an annualized basis, for our recurring software subscriptions with consumption measurement period durations of less than one year is a reasonable estimate of the annual revenues, given our consistently high retention rate and stability of usage under such subscriptions. ARR resulting from the annualization of recurring contracts with consumption measurement durations of less than one year, as a percentage of total ARR, was 37% and 31% as of September 30, 2021 and 2020, respectively. Within our consumption-measured ARR, the continuous uptake of our E365 subscription offering has introduced daily consumption-measured ARR, representing 28% of total ARR as of September 30, 2021. ARR is inclusive of the ARR of acquired companies as of the date they are acquired. We believe that ARR and ARR growth are important metrics indicating the scale and growth of our business. Furthermore, we believe ARR, considered in connection with our recurring revenues dollar-based net retention rate, is a leading indicator of revenue growth. Our ARR as of September 30, 2021 was \$903,845, calculated using the spot foreign exchange rates as of September 30, 2021.

Our ARR growth rate was favorably impacted from the Seequent acquisition by 13% for the twelve months ended September 30, 2021.

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

*Recurring revenues dollar-based net retention rate.* Our recurring revenues dollar-based net retention rate is calculated using the average exchange rates for the prior period, as follows: the recurring revenues for the current period, including any growth or reductions from existing accounts, but excluding recurring revenues from any new accounts added during the current period, divided by the total recurring revenues from all accounts during the prior period. A period is defined as any trailing twelve months. We believe our recurring revenues dollar-based net retention rate is a key indicator of our success in growing our revenues within our existing accounts. Given that recurring revenues represented 86% of our total revenues for the twelve months ended September 30, 2021, this metric helps explain our revenue performance as primarily growth into existing accounts. We believe that our consistent and high recurring revenues dollar-based net retention rate illustrates our ability to consistently retain accounts and grow them.

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

#### **Non-GAAP Financial Measures:**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Adjusted EBITDA	\$ 84,468	\$ 73,655	\$ 236,778	\$ 188,996
Adjusted Net Income	56,289	51,424	194,971	140,502

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

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

Adjusted EBITDA and Adjusted Net Income are not presentations made in accordance with U.S. GAAP, and our use of the terms Adjusted EBITDA and Adjusted Net Income may vary from the use of similarly titled measures by others in our industry due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation. We believe the presentation of Adjusted EBITDA and Adjusted Net Income provides useful information to management and investors regarding financial and business trends related to our results of operations and that when non-GAAP financial information is viewed with U.S. GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance. We also use Adjusted EBITDA and Adjusted Net Income to compare our results to those of our competitors and to consistently measure our performance from period to period. During the third quarter of 2021, we modified our definitions of Adjusted EBITDA and Adjusted Net Income to adjust for expense (income) relating to deferred compensation plan liabilities and amounts for all periods herein reflect application of the modified definition.

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

Reconciliation of net (loss) income to Adjusted EBITDA:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net (loss) income	\$ (50,128)	\$ 5,844	\$ 51,788	\$ 74,589
Interest expense, net	3,836	1,934	8,608	4,450
Provision (benefit) for income taxes	4,223	10,705	(6,165)	22,145
Depreciation and amortization <sup>(1)</sup>	16,666	9,172	35,946	25,836
Stock-based compensation <sup>(3)</sup>	11,588	19,548	32,186	22,760
Deferred compensation plan <sup>(4)</sup>	88,965	50	89,327	(115)
Acquisition expenses <sup>(5)</sup>	7,697	3,489	31,897	8,498
Realignment expenses <sup>(6)</sup>	—	9,943	—	10,012
Expenses associated with IPO <sup>(7)</sup>	—	26,130	—	26,130
Other expense (income), net <sup>(8)</sup>	957	(13,741)	(9,748)	(6,756)
Loss from investment accounted for using the equity method, net of tax	664	581	2,939	1,447
Adjusted EBITDA	\$ 84,468	\$ 73,655	\$ 236,778	\$ 188,996

Reconciliation of net (loss) income to Adjusted Net Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net (loss) income	\$ (50,128)	\$ 5,844	\$ 51,788	\$ 74,589
Non-GAAP adjustments, prior to income taxes:				
Amortization of purchased intangibles and developed technologies <sup>(2)</sup>	11,539	5,236	22,003	14,694
Stock-based compensation <sup>(3)</sup>	11,588	19,548	32,186	22,760
Deferred compensation plan <sup>(4)</sup>	88,965	50	89,327	(115)
Acquisition expenses <sup>(5)</sup>	7,697	3,489	31,897	8,498
Realignment expenses <sup>(6)</sup>	—	9,943	—	10,012
Expenses associated with IPO <sup>(7)</sup>	—	26,130	—	26,130
Other expense (income), net <sup>(8)</sup>	957	(13,741)	(9,748)	(6,756)
Total non-GAAP adjustments, prior to income taxes	120,746	50,655	165,665	75,223
Income tax effect of non-GAAP adjustments	(14,993)	(5,656)	(25,421)	(10,757)
Loss from investment accounted for using the equity method, net of tax	664	581	2,939	1,447
Adjusted Net Income	\$ 56,289	\$ 51,424	\$ 194,971	\$ 140,502

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

- (1) *Depreciation and amortization.* Depreciation and amortization includes amortization of \$1,958 and \$1,167 for the three months ended September 30, 2021 and 2020, respectively, \$5,430 and \$3,189 for the nine months ended September 30, 2021 and 2020, respectively, related to certain projects under our Accelerated Commercial Development Program (“ACDP”).
- (2) *Amortization of purchased intangibles and developed technologies.* Amortization of purchased intangibles varies in amount and frequency and is significantly impacted by the timing and size of our acquisitions. Amortization of acquisition related developed technologies under our ACDP was \$92 and \$102 for the three months ended September 30, 2021 and 2020, respectively, \$283 and \$284 for the nine months ended September 30, 2021 and 2020, respectively. Management finds it useful to exclude these non-cash charges from our operating expenses to assist in budgeting, planning, and forecasting future periods. The use of intangible assets and developed technologies contributed to our revenues earned during the periods presented and will also contribute to our revenues in future periods. Amortization of purchased intangible assets and developed technologies will recur in future periods.
- (3) *Stock-based compensation.* We exclude certain stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses and management finds it useful to exclude certain non-cash charges to assess the appropriate level of various operating expenses to assist in budgeting, planning, and forecasting future periods. Moreover, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under ASC 718, *Compensation—Stock Compensation*, we believe excluding stock-based compensation expenses allows investors to make meaningful comparisons between our recurring core business results of operations and those of other companies.
- (4) *Deferred compensation plan.* In August 2021, our Board of Directors approved an amendment to the Company’s unfunded Nonqualified Deferred Compensation Plan, as amended and restated, effective as of September 22, 2020 (the “DCP”), which offered to certain active executives in the DCP a one-time, short-term election to reallocate a limited portion of their DCP holdings from phantom shares of the Company’s Class B Common Stock into other DCP phantom investment funds. The offer to reallocate was subject to a proration mechanism which adjusted the aggregate elections to a maximum of 1,500,000 phantom shares of the Company’s Class B Common Stock. This one-time reallocation opportunity was offered only to certain active executives (but not to Directors or Bentley family members) in order to encourage retention, as otherwise these executives could only have materially diversified their investments in Company equity (primarily held in the DCP) by voluntarily terminating employment to trigger DCP distributions. These executives in aggregate accordingly diversified 24% of their phantom shares of the Company’s Class B Common Stock. While DCP participants’ investments in phantom shares remain equity classified, as they will be settled in shares of Class B Common Stock upon eventual distribution, the amendment and elections resulted in a change to liability classification for the reallocated phantom investments, as they will be settled in cash upon eventual distribution. As a result, during the three and nine months ended September 30, 2021, the Company recognized a one-time compensation charge of \$90,721 to *Deferred compensation plan* expenses in the consolidated statements of operations to record the reallocated deferred compensation plan liabilities at their fair value. Deferred compensation plan liabilities are marked to market at the end of each reporting period, with changes in the liabilities recorded as an expense (income) to *Deferred compensation plan* in the consolidated statements of operations. We exclude these charges because they are not reflective of our ongoing business and results of operation. We believe it is useful for investors to understand the effects of these items on our total operating expenses.

- (5) *Acquisition expenses.* We incur expenses for professional services rendered in connection with business combinations, which are included in our U.S. GAAP presentation of general and administrative expense. Also included in our acquisition expenses are retention incentives paid to executives of the acquired companies, as well as adjustments related to deferred revenue from acquired companies. We exclude these acquisition expenses when we evaluate our continuing operational performance as we would not have otherwise incurred these expenses in the periods presented as part of our continuing operations. Acquired deferred revenue is recorded on the opening balance sheet at an amount that typically is lower than historical carrying value. The adjustment to acquired deferred revenue has no impact on our business or cash flow, but it does reduce reported U.S. GAAP revenue in the periods following an acquisition. For the three and nine months ended September 30, 2021, \$389 and \$16,285, respectively, of our acquisition expenses related to the acquisition of Seequent Holdings Limited (“Seequent”).
- (6) *Realignment expenses.* These expenses are associated with realigning our business strategies to better serve our accounts and to better align resources with the evolving needs of the business. In connection with these actions, we recognize costs related to termination benefits for colleagues whose positions were eliminated. We exclude these charges because they are not reflective of our ongoing business and results of operations. We believe it is useful for investors to understand the effects of these items on our total operating expenses. In the ordinary course of operating our business, we incur severance expenses that are not included in this adjustment.
- (7) *Expenses associated with IPO.* These expenses include certain non-recurring costs relating to our IPO, consisting of the payment of underwriting discounts and commissions applicable to the sale of shares by the selling stockholders, professional fees, and other expenses. We exclude these charges because they are not reflective of our ongoing business and results of operation. We believe it is useful for investors to understand the effects of these items on our total operating expenses.
- (8) *Other expense (income), net.* Primarily consists of foreign exchange losses (gains) of \$2,446 and \$(12,830) for the three months ended September 30, 2021 and 2020, respectively, and \$248 and \$(8,567) for the nine months ended September 30, 2021 and 2020, respectively. The foreign exchange losses (gains) derive primarily from U.S. Dollar denominated cash and cash equivalents, accounts receivable, and intercompany balances held by foreign subsidiaries. The gains and losses from such translations are included in *Other expense (income), net* in the consolidated statements of operations. Intercompany finance transactions denominated in U.S. Dollars resulted in unrealized foreign exchange losses (gains) of \$2,741 and \$(12,284) for the three months ended September 30, 2021 and 2020, respectively, and \$1,298 and \$(10,519) for the nine months ended September 30, 2021 and 2020, respectively. These U.S. Dollar denominated balances are being translated into their functional currencies at the rates in effect at the balance sheet date and are fully eliminated in consolidation. For the three months ended September 30, 2021 and 2020, other expense (income), net also includes a gain from the change in fair value of our interest rate swap of \$1,463 and \$809, respectively. For the nine months ended September 30, 2021, other expense (income), net includes a gain from the change in fair value of our interest rate swap of \$(9,198). For the nine months ended September 30, 2020, other expense (income), net includes a loss from the change in fair value of our interest rate swap of \$3,365, partially offset by a gain from the change in fair value of acquisition contingent consideration of \$1,340. We exclude these charges because they are not reflective of ongoing business and results of operations. We believe it is useful for investors to understand the effects of these items on our total operating expenses.

## Key Factors Impacting Comparability and Performance:

*Highlights for the nine months ended September 30, 2021.* In addition to our performance previously discussed in “—Key Business Metrics” and “—Non-GAAP Financial Measures,” and as discussed further below in “—Results of Operations” and “—Liquidity and Capital Resources,” our consolidated financial statements for the nine months ended September 30, 2021 were impacted by the following:

- On June 17, 2021, we completed the acquisition of Seequent, a leader in software for geological and geophysical modeling, geotechnical stability, and cloud services for geodata management and collaboration, for approximately \$910,997 in cash, net of cash acquired, plus 3,141,342 shares of our Class B Common Stock. For the nine months ended September 30, 2021, we incurred \$16,285 of expenses related to the acquisition of Seequent;
- On June 28, 2021, we completed a private offering of \$575,000 of 0.375% convertible senior notes due 2027 (the “2027 Notes”). We incurred \$15,065 of expenses in connection with the 2027 Notes offering consisting of transaction costs. Transaction costs were recorded as a direct deduction from the related debt liability in the consolidated balance sheet and are amortized to interest expense using the effective interest method over the term of the 2027 Notes;
- In connection with the pricing of the 2027 Notes, we entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. The capped call options are expected to reduce potential dilution to our Class B Common Stock upon any conversion of 2027 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. We paid premiums of \$25,875 in connection with the capped call options. The capped call options are indexed to our common stock and classified in stockholders’ equity. As such, the premiums paid for the capped call options have been included as a net reduction to *Additional paid-in capital* in the consolidated balance sheet;
- On January 26, 2021, we completed a private offering of \$690,000 of 0.125% convertible senior notes due 2026 (the “2026 Notes”). We incurred \$18,055 of expenses in connection with the 2026 Notes offering consisting of the payment of initial purchasers’ discounts and commissions, professional fees, and other expenses (“transaction costs”). Transaction costs were recorded as a direct deduction from the related debt liability in the consolidated balance sheet and are amortized to interest expense using the effective interest method over the term of the 2026 Notes;
- In connection with the pricing of the 2026 Notes, we entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. The capped call options are expected to reduce potential dilution to our Class B Common Stock upon any conversion of 2026 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. We paid premiums of \$25,530 in connection with the capped call options. The capped call options are indexed to our common stock and classified in stockholders’ equity. As such, the premiums paid for the capped call options have been included as a net reduction to *Additional paid-in capital* in the consolidated balance sheet;
- On January 25, 2021, we entered into the Second Amendment to the Amended and Restated Credit Agreement dated December 19, 2017, which increased the senior secured revolving loan facility from \$500,000 to \$850,000 and extended the maturity date from December 18, 2022 to November 15, 2025 (the “Credit Facility”). We performed an extinguishment versus modification assessment on a lender-by-lender basis resulting in the write-off of unamortized debt issuance costs of \$353 and the capitalization of fees paid to lenders and third parties of \$3,577. Debt issuance costs are amortized to interest expense through the maturity date of November 15, 2025;



- In August 2021, our Board of Directors approved an amendment to the DCP, which offered to certain active executives in the DCP a one-time, short-term election to reallocate a limited portion of their DCP holdings from phantom shares of the Company's Class B Common Stock into other DCP phantom investment funds. The offer to reallocate was subject to a proration mechanism which adjusted the aggregate elections to a maximum of 1,500,000 phantom shares of the Company's Class B Common Stock. This one-time reallocation opportunity was offered only to certain active executives (but not to Directors or Bentley family members) in order to encourage retention, as otherwise these executives could only have materially diversified their investments in Company equity (primarily held in the DCP) by voluntarily terminating employment to trigger DCP distributions. These executives in aggregate accordingly diversified 24% of their phantom shares of the Company's Class B Common Stock. While DCP participants' investments in phantom shares remain equity classified, as they will be settled in shares of Class B Common Stock upon eventual distribution, the amendment and elections resulted in a change to liability classification for the reallocated phantom investments, as they will be settled in cash upon eventual distribution. As a result, during the three and nine months ended September 30, 2021, the Company recognized a one-time compensation charge of \$90,721 to *Deferred compensation plan* expenses in the consolidated statements of operations to record the reallocated deferred compensation plan liabilities at their fair value. Subsequent to the one-time reallocation, these diversified deferred compensation plan liabilities are marked to market at the end of each reporting period, with changes in the liabilities recorded as an expense (income) to *Deferred compensation plan* in the consolidated statements of operations;
- Effective as of the beginning of the fourth quarter of 2020, participants in the Bentley Systems, Incorporated Bonus Pool Plan, as amended and restated, effective as of September 22, 2020 (the "Bonus Plan") may elect to receive any portion, or all, of such participants' non-deferred incentive bonus in the form of shares of fully vested Class B Common Stock instead of cash payments and subject to a combined quarterly limit of \$7,500. For the nine months ended September 30, 2021, we recorded \$17,181 of stock-based compensation expense related to this plan;
- Effective September 22, 2020, our Board and stockholders adopted and approved the Bentley Systems, Incorporated Global Employee Stock Purchase Plan (the "ESPP"). The ESPP has been implemented by means of consecutive offering periods, with the first offering period commencing on the first trading day on or after January 1, 2021 and ending on the last trading day on or before June 30, 2021. For the nine months ended September 30, 2021, we recorded \$1,416 of stock-based compensation expense related to this plan.

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

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

*Acquisitions.* Historically, we have enhanced our business with acquisitions of businesses, software solutions, and technologies. Going forward, we plan to selectively acquire adjacent software solutions that can be sold broadly across our account base, as well as to acquire new technologies that we can leverage across our existing software solution portfolio. We completed 12 and four acquisitions for the nine months ended September 30, 2021 and 2020, respectively.

*Impact of COVID-19.* As described in our 2020 Form 10-K, in response to the COVID-19 pandemic, we implemented a number of initiatives to ensure the safety of our colleagues and enable them to move to a work from home environment seamlessly and continue working effectively. We continue to monitor the global situation, with the health and safety of our colleagues and users as a top priority. Currently, the majority of our workforce remains remote due to COVID-19.

Our business model is such that we have experienced minimal disruption to our ability to deliver our solutions to accounts. The COVID-19 pandemic has had a modest impact on the usage of our solutions by our users. Throughout 2020 and the nine months ended September 30, 2021, usage rates fluctuated modestly when compared to the corresponding periods in the prior year. Usage declines have had a minimal impact on our recurring revenues, which are comprised primarily of longer term contracts where short-term usage rate declines do not adversely impact revenues. However, to the extent declines in usage have also occurred within our recurring revenue contracts with shorter term resets, as is the case with our E365 contracts, the usage declines have modestly impacted revenues. Our revenues from professional services have also been impacted as certain accounts have delayed new projects. Overall, while our rate of growth has been impacted, our revenues have continued to grow given the mission critical nature of our solutions.

As a precaution in the COVID-19 environment, we have and continue to actively manage our spending. Actions taken during 2020 included efforts to minimize colleague travel, and to reduce and recharacterize promotional spending with a shift to virtual events. Although compensation levels and incentive plan payouts have returned to normal for 2021, during 2020, our actions also included curtailment in variable compensation plans to align to COVID-19 pandemic related uncertainties. These actions have resulted in substantial cost savings during the pandemic, which are unlikely to be fully sustainable prospectively.

For further discussion of the potential impact of COVID-19 on our business, see Part II, Item IA. Risk Factors of this Quarterly Report on Form 10-Q.

#### **Components of Results of Operations:**

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

#### **Revenues:**

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

##### *Subscriptions*

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

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

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

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

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

#### *Perpetual licenses*

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

#### *Services*

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

### ***Headcount-related costs***

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

### ***Cost of subscriptions, licenses, and services***

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

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

### ***Operating expense (income)***

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

We capitalize certain development costs related to certain projects under our ACDP (our structured approach to an in-house business incubator function) once technological feasibility is established. Technological feasibility is established when a detailed program design has been completed and documented; we have established that the necessary skills, hardware, and software technology are available to produce the product; and there are no unresolved high-risk development issues. Once the software is ready for its intended use, amortization is recorded over the software’s estimated useful life (generally three years). Total costs capitalized under the ACDP were \$1,617 and \$1,922 for the three months ended September 30, 2021 and 2020, respectively, and \$4,266 and \$6,182 for the nine months ended September 30, 2021 and 2020, respectively. Additionally, total ACDP related amortization recorded in *Costs of subscriptions and licenses* was \$1,958 and \$1,167 for the three months ended September 30, 2021 and 2020, respectively, and \$5,430 and \$3,189 for the nine months ended September 30, 2021 and 2020, respectively.

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

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

*Deferred compensation plan.* In August 2021, our Board of Directors approved an amendment to the DCP, which offered to certain active executives in the DCP a one-time, short-term election to reallocate a limited portion of their DCP holdings from phantom shares of the Company's Class B Common Stock into other DCP phantom investment funds. The offer to reallocate was subject to a proration mechanism which adjusted the aggregate elections to a maximum of 1,500,000 phantom shares of the Company's Class B Common Stock. This one-time reallocation opportunity was offered only to certain active executives (but not to Directors or Bentley family members) in order to encourage retention, as otherwise these executives could only have materially diversified their investments in Company equity (primarily held in the DCP) by voluntarily terminating employment to trigger DCP distributions. These executives in aggregate accordingly diversified 24% of their phantom shares of the Company's Class B Common Stock. While DCP participants' investments in phantom shares remain equity classified, as they will be settled in shares of Class B Common Stock upon eventual distribution, the amendment and elections resulted in a change to liability classification for the reallocated phantom investments, as they will be settled in cash upon eventual distribution. As a result, during the three and nine months ended September 30, 2021, the Company recognized a one-time compensation charge of \$90,721 to *Deferred compensation plan* expenses in the consolidated statements of operations to record the reallocated deferred compensation plan liabilities at their fair value. Deferred compensation plan liabilities are marked to market at the end of each reporting period, with changes in the liabilities recorded as an expense (income) to *Deferred compensation plan* in the consolidated statements of operations.

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

*Expenses associated with IPO.* Expenses associated with IPO include certain non-recurring costs relating to our IPO, consisting of the payment of underwriting discounts and commissions applicable to the sale of shares by the selling stockholders, professional fees, and other expenses. We completed our IPO on September 25, 2020. These fees were expensed in the period incurred.

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

*Other income (expense), net.* Other income (expense), net primarily consists of foreign currency translation results derived primarily from U.S. Dollar denominated cash and cash equivalents, accounts receivable, and intercompany balances held by foreign subsidiaries with non-U.S. Dollar functional currencies. Other income (expense), net also includes the fair value valuation result of our interest rate swap and changes in fair value of acquisition contingent consideration.

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

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

## Results of Operations:

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Subscriptions	\$ 212,227	\$ 173,174	\$ 585,804	\$ 501,011
Perpetual licenses	11,866	12,827	33,373	36,020
Subscriptions and licenses	224,093	186,001	619,177	537,031
Services	24,387	16,996	74,239	44,946
Total revenues	248,480	202,997	693,416	581,977
<b>Cost of revenues:</b>				
Cost of subscriptions and licenses	31,056	23,338	89,882	66,466
Cost of services	23,176	19,290	67,090	50,126
Total cost of revenues	54,232	42,628	156,972	116,592
Gross profit	194,248	160,369	536,444	465,385
<b>Operating expense (income):</b>				
Research and development	57,334	50,217	157,913	139,570
Selling and marketing	44,392	41,824	114,846	107,551
General and administrative	35,329	32,956	110,233	85,390
Deferred compensation plan	88,965	50	89,327	(115)
Amortization of purchased intangibles	8,676	3,869	16,703	10,984
Expenses associated with initial public offering	—	26,130	—	26,130
Total operating expenses	234,696	155,046	489,022	369,510
(Loss) income from operations	(40,448)	5,323	47,422	95,875
Interest expense, net	(3,836)	(1,934)	(8,608)	(4,450)
Other (expense) income, net	(957)	13,741	9,748	6,756
(Loss) income before income taxes	(45,241)	17,130	48,562	98,181
(Provision) benefit for income taxes	(4,223)	(10,705)	6,165	(22,145)
Loss from investment accounted for using the equity method, net of tax	(664)	(581)	(2,939)	(1,447)
Net (loss) income	(50,128)	5,844	51,788	74,589
Less: Net (loss) income attributable to participating securities	(3)	(4)	(6)	(4)
Net (loss) income attributable to Class A and Class B common stockholders	\$ (50,131)	\$ 5,840	\$ 51,782	\$ 74,585
<b>Per share information:</b>				
Net (loss) income per share, basic	\$ (0.16)	\$ 0.02	\$ 0.17	\$ 0.26
Net (loss) income per share, diluted	\$ (0.16)	\$ 0.02	\$ 0.16	\$ 0.25
Weighted average shares, basic	308,195,379	289,318,391	305,119,985	287,063,892
Weighted average shares, diluted	308,195,379	299,634,961	314,658,136	297,251,349

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

**Comparison of the Three and Nine Months Ended September 30, 2021 and 2020**

*Revenues*

	Three Months Ended September 30,		Comparison		
			Amount	%	Constant Currency
	2021	2020			
<b>Revenues:</b>					
Subscriptions	\$ 212,227	\$ 173,174	\$ 39,053	22.6 %	20.8 %
Perpetual licenses	11,866	12,827	(961)	(7.5)%	(9.1)%
Subscriptions and licenses	224,093	186,001	38,092	20.5 %	18.8 %
Services	24,387	16,996	7,391	43.5 %	40.5 %
Total revenues	\$ 248,480	\$ 202,997	\$ 45,483	22.4 %	20.6 %

	Nine Months Ended September 30,		Comparison		
			Amount	%	Constant Currency
	2021	2020			
<b>Revenues:</b>					
Subscriptions	\$ 585,804	\$ 501,011	\$ 84,793	16.9 %	13.5 %
Perpetual licenses	33,373	36,020	(2,647)	(7.3)%	(11.0)%
Subscriptions and licenses	619,177	537,031	82,146	15.3 %	11.9 %
Services	74,239	44,946	29,293	65.2 %	59.3 %
Total revenues	\$ 693,416	\$ 581,977	\$ 111,439	19.1 %	15.6 %

Total revenues increased by \$45,483, or 22.4%, to \$248,480 for the three months ended September 30, 2021 and by \$111,439, or 19.1%, to \$693,416 for the nine months ended September 30, 2021. This increase was primarily driven by improvements in our business performance and the impact from acquisitions in subscriptions revenues, the impact from acquisitions in services revenues, and the overall positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. We define business performance as our organic growth results inclusive of the impact from certain programmatic acquisitions, which generally are immaterial, individually and in the aggregate. On a constant currency basis, our revenues increased by 20.6% and 15.6% for the three and nine months ended September 30, 2021, respectively, as compared to the prior periods.

- *Subscriptions.* For the three months ended September 30, 2021, subscriptions revenues increased by \$39,053, or 22.6%, as compared to the three months ended September 30, 2020. This increase was driven primarily by \$19,149 related to our acquisition of Seequent, improvements in our business performance, and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our subscriptions revenues increased by 20.8% for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020.



For the nine months ended September 30, 2021, subscriptions revenues increased by \$84,793, or 16.9%, as compared to the nine months ended September 30, 2020. This increase was driven primarily by improvements in our business performance, \$23,001 related to our acquisition of Seequent, and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our subscriptions revenues increased by 13.5% for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

Our growth in subscriptions was primarily due to expansion within our existing accounts, growth of 3% attributable to new accounts, most notably small and medium sized accounts, and the acquisition of Seequent. The improvements in business performance for the three and nine months ended September 30, 2021 was led by our *ProjectWise*, Asset and Network Performance, civil design, and geotechnical products. For the three and nine months ended September 30, 2021, the impact of the Seequent acquisition includes organic growth within their existing accounts compared to the prior periods.

- *Perpetual licenses*. For the three months ended September 30, 2021, perpetual licenses revenues decreased by \$961, or 7.5%, as compared to the three months ended September 30, 2020. This decrease was driven by a reduction in our business performance, partially offset by the impact of acquisitions and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our perpetual licenses revenues decreased by 9.1% for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020.

For the nine months ended September 30, 2021, perpetual licenses revenues decreased by \$2,647, or 7.3%, as compared to the nine months ended September 30, 2020. This decrease was driven by a reduction in our business performance, partially offset by the impact of acquisitions and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our perpetual licenses revenues decreased by 11.0% for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

We believe some of the decrease in perpetual licenses business performance for the three and nine months ended September 30, 2021 is because accounts delayed purchase decisions due to COVID-19 or shifted spend to subscription solutions.

- *Services*. For the three months ended September 30, 2021, services revenues increased by \$7,391, or 43.5%, as compared to the three months ended September 30, 2020. This increase was driven primarily by the impact of acquisitions of \$6,496, as well as the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our services revenues increased by 40.5% for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020.

For the nine months ended September 30, 2021, services revenues increased by \$29,293, or 65.2%, as compared to the nine months ended September 30, 2020. This increase was driven primarily by the impact of acquisitions of \$25,626, as well as the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our services revenues increased by 59.3% for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

For the three and nine months ended September 30, 2021, the acquisition impact is attributable to several digital integrator businesses acquired throughout 2020 and 2021. Business performance continued to be impacted by COVID-19 related delays in new projects and the redeployment of some services colleagues to support Success Plan services of our E365 subscription offering.

## Revenues by Geographic Area

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

	Three Months Ended September 30,		Comparison		
			Amount	%	Constant Currency
	2021	2020			
Revenues by geographic area:					
Americas	\$ 126,583	\$ 102,104	\$ 24,479	24.0 %	22.8 %
Europe, the Middle East, and Africa (“EMEA”)	75,982	63,335	12,647	20.0 %	17.1 %
Asia-Pacific (“APAC”)	45,915	37,558	8,357	22.3 %	20.4 %
Total revenues by geographic area	<u>\$ 248,480</u>	<u>\$ 202,997</u>	<u>\$ 45,483</u>	22.4 %	20.6 %

	Nine Months Ended September 30,		Comparison		
			Amount	%	Constant Currency
	2021	2020			
Revenues by geographic area:					
Americas	\$ 347,753	\$ 287,942	\$ 59,811	20.8 %	19.8 %
EMEA	218,845	184,913	33,932	18.4 %	11.6 %
APAC	126,818	109,122	17,696	16.2 %	10.9 %
Total revenues by geographic area	<u>\$ 693,416</u>	<u>\$ 581,977</u>	<u>\$ 111,439</u>	19.1 %	15.6 %

- *Americas*. For the three months ended September 30, 2021, revenues from the Americas increased by \$24,479, or 24.0%, as compared to the three months ended September 30, 2020. This increase was driven primarily by improvements in our business performance in subscriptions revenues and the impact from acquisitions in subscriptions and services revenues. On a constant currency basis, our revenues from the Americas increased by 22.8% for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020.

For the nine months ended September 30, 2021, revenues from the Americas increased by \$59,811, or 20.8%, as compared to the nine months ended September 30, 2020. This increase was driven primarily by improvements in our business performance in subscriptions revenues and the impact from acquisitions in subscriptions and services revenues. On a constant currency basis, our revenues from the Americas increased by 19.8% for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

The constant currency growth in the Americas primarily reflects growth in recurring subscriptions revenues from our existing accounts in the United States, the impact of the Seequent acquisition, and growth in services revenues in the United States and Canada from the acquisition of digital integrator businesses.

- *EMEA*. For the three months ended September 30, 2021, revenues from EMEA increased by \$12,647, or 20.0%, as compared to the three months ended September 30, 2020. On a constant currency basis, our revenues from EMEA increased by 17.1% for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. The positive foreign currency effects were due to a weaker U.S. Dollar relative to our other functional currencies.

For the nine months ended September 30, 2021, revenues from EMEA increased by \$33,932, or 18.4%, as compared to the nine months ended September 30, 2020. On a constant currency basis, our revenues from EMEA increased by 11.6% for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. The positive foreign currency effects were due to a weaker U.S. Dollar relative to our other functional currencies.

The constant currency growth primarily reflects growth in services revenues from the 2020 acquisitions of two digital integrator businesses in Europe. Constant currency growth also includes modest business growth in subscriptions revenues in Europe.

- **APAC.** For the three months ended September 30, 2021, revenues from APAC increased by \$8,357, or 22.3%, as compared to the three months ended September 30, 2020. This increase was driven by improvements in our business performance in subscriptions revenues, the impact of the Seequent acquisition, and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our revenues from APAC increased by 20.4% for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020.

For the nine months ended September 30, 2021, revenues from APAC increased by \$17,696, or 16.2%, as compared to the nine months ended September 30, 2020. This increase was driven by improvements in our business performance in subscriptions revenues, the impact of the Seequent acquisition, and the positive foreign currency effects due to a weaker U.S. Dollar relative to our other functional currencies. On a constant currency basis, our revenues from APAC increased by 10.9% for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

The constant currency growth was primarily due to expansion of our recurring subscriptions revenues in India for the three months ended September 30, 2021 and in China for the nine months ended September 30, 2021.

#### Cost of Revenues

	Three Months Ended September 30,		Comparison		
					Constant Currency
	2021	2020	Amount	%	%
Cost of subscriptions and licenses	\$ 31,056	\$ 23,338	\$ 7,718	33.1 %	31.2 %
Cost of services	23,176	19,290	3,886	20.1 %	16.5 %
Total cost of revenues	\$ 54,232	\$ 42,628	\$ 11,604	27.2 %	24.5 %

	Nine Months Ended September 30,		Comparison		
					Constant Currency
	2021	2020	Amount	%	%
Cost of subscriptions and licenses	\$ 89,882	\$ 66,466	\$ 23,416	35.2 %	31.4 %
Cost of services	67,090	50,126	16,964	33.8 %	27.2 %
Total cost of revenues	\$ 156,972	\$ 116,592	\$ 40,380	34.6 %	29.6 %

For the three months ended September 30, 2021, cost of revenues increased by \$11,604, or 27.2%, to \$54,232. This increase was driven by an increase in both cost of subscriptions and licenses and cost of services relative to the prior period. On a constant currency basis, total cost of revenues increased by 24.5% for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020.

For the nine months ended September 30, 2021, cost of revenues increased by \$40,380, or 34.6%, to \$156,972. This increase was driven by an increase in both cost of subscriptions and licenses and cost of services relative to the prior period. On a constant currency basis, total cost of revenues increased by 29.6% for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

For the three months ended September 30, 2021, cost of subscriptions and licenses increased 33.1%, or 31.2% in constant currency, as compared to the three months ended September 30, 2020. On a constant currency basis, this increase was substantially due to an increase in headcount-related costs of approximately \$4,400, primarily driven by the redeployment of certain colleagues to our User Success team in support of success services available to accounts under programs such as our E365 subscription offering, and an increase in amortization expense for software and technology of approximately \$2,200.

For the nine months ended September 30, 2021, cost of subscriptions and licenses increased 35.2%, or 31.4% in constant currency, as compared to the nine months ended September 30, 2020. On a constant currency basis, this increase was substantially due to an increase in headcount-related costs of approximately \$13,500, primarily driven by the redeployment of certain colleagues to our User Success team in support of success services available to accounts under programs such as our E365 subscription offering, and an increase in amortization expense for software and technology of approximately \$3,400.

For the three months ended September 30, 2021, cost of services increased by 20.1%, or 16.5% in constant currency, as compared to the three months ended September 30, 2020. On a constant currency basis, this increase was substantially due to an increase in headcount-related costs of approximately \$2,800. The approximate \$2,800 increase in headcount-related costs was primarily comprised of an increase in salaries and variable compensation costs of approximately \$6,700, primarily driven by our digital integrator acquisitions, partially offset by a decrease in stock-based compensation expense of approximately \$2,400 and the realignment costs from the 2020 program of approximately \$1,500.

For the nine months ended September 30, 2021, cost of services increased by 33.8%, or 27.2% in constant currency, as compared to the nine months ended September 30, 2020. On a constant currency basis, this increase was substantially due to an increase in headcount-related costs of approximately \$12,100. The approximate \$12,100 increase in headcount-related costs was primarily comprised of an increase in salaries and variable compensation costs of approximately \$15,700, primarily driven by our digital integrator acquisitions, partially offset by a decrease in stock-based compensation expense of approximately \$2,100 and the realignment costs from the 2020 program of approximately \$1,500.

#### Operating Expense (Income)

	Three Months Ended September 30,		Comparison		
			Amount	%	Constant Currency
	2021	2020			
Research and development	\$ 57,334	\$ 50,217	\$ 7,117	14.2 %	11.3 %
Selling and marketing	44,392	41,824	2,568	6.1 %	5.3 %
General and administrative	35,329	32,956	2,373	7.2 %	5.2 %
Deferred compensation plan	88,965	50	88,915	*	*
Amortization of purchased intangibles	8,676	3,869	4,807	124.2 %	116.2 %
Expenses associated with initial public offering	—	26,130	(26,130)	*	*
<b>Total operating expenses</b>	<b>\$ 234,696</b>	<b>\$ 155,046</b>	<b>\$ 79,650</b>	<b>51.4 %</b>	<b>49.6 %</b>

\* Not meaningful

	Nine Months Ended September 30,		Comparison		
			Amount	%	Constant Currency
	2021	2020			
Research and development	\$ 157,913	\$ 139,570	\$ 18,343	13.1 %	9.6 %
Selling and marketing	114,846	107,551	7,295	6.8 %	2.9 %
General and administrative	110,233	85,390	24,843	29.1 %	27.0 %
Deferred compensation plan	89,327	(115)	89,442	*	*
Amortization of purchased intangibles	16,703	10,984	5,719	52.1 %	44.4 %
Expenses associated with initial public offering	—	26,130	(26,130)	*	*
Total operating expenses	\$ 489,022	\$ 369,510	\$ 119,512	32.3 %	29.2 %

\* Not meaningful

*Research and development.* For the three months ended September 30, 2021, research and development expenses increased 14.2%, or 11.3% in constant currency, as compared to the three months ended September 30, 2020. On a constant currency basis, this increase was primarily due to an increase in headcount-related costs of approximately \$5,000. The approximate \$5,000 increase in headcount-related costs was primarily comprised of an increase in salaries and variable compensation costs of approximately \$13,100, primarily due to annual salary adjustments in 2021 combined with lower variable compensation costs in the prior period due to COVID-19. Offsetting this increase is several components, the first component being a decrease of approximately \$5,500 in Bonus Plan related cash compensation due to the change in our Bonus Plan (see Note 11 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q), which allows participants within certain limitations to elect share delivery instead of cash compensation for their non-deferred incentive bonuses. In the comparative period, non-deferred incentive bonuses earned under the Bonus Plan were paid in cash. The other components of the offsetting decrease in headcount-related costs are a decrease in stock-based compensation expense of approximately \$1,800 and the realignment costs from the 2020 program of approximately \$800.

For the nine months ended September 30, 2021, research and development expenses increased 13.1%, or 9.6% in constant currency, as compared to the nine months ended September 30, 2020. On a constant currency basis, this increase was primarily due to an increase in headcount-related costs of approximately \$13,100. The approximate \$13,100 increase in headcount-related costs was primarily comprised of an increase in salaries and variable compensation costs of approximately \$22,900, primarily due to annual salary adjustments in 2021 combined with lower variable compensation costs in the prior period due to COVID-19, and an increase in stock-based compensation expense of approximately \$5,800. Partially offsetting these increases in headcount-related costs is a decrease of approximately \$14,700 in Bonus Plan related cash compensation due to the change in our Bonus Plan as described above and the realignment costs from the 2020 program of approximately \$900.

*Selling and marketing.* For the three months ended September 30, 2021, selling and marketing expenses increased 6.1%, or 5.3% in constant currency, as compared to the three months ended September 30, 2020. On a constant currency basis, this increase was primarily due to an increase in promotional costs of approximately \$1,000 and an increase in headcount-related costs of approximately \$900. The approximate \$900 increase headcount-related costs was primarily comprised of an increase in salaries and variable compensation costs of approximately \$9,700, primarily due to annual salary adjustments in 2021 combined with lower variable compensation costs in the prior period due to COVID-19, substantially offset by the realignment costs from the 2020 program of approximately \$5,200 and a decrease in stock-based compensation expense of approximately \$3,600.

For the nine months ended September 30, 2021, selling and marketing expenses increased 6.8%, or 2.9% in constant currency, as compared to the nine months ended September 30, 2020. On a constant currency basis, this increase was primarily due to an increase in headcount-related costs of approximately \$1,900 and an increase in promotional costs of approximately \$1,100. The approximate \$1,900 increase in headcount-related costs was primarily comprised of an increase in salaries and variable compensation costs of approximately \$9,300, primarily due to annual salary adjustments in 2021 combined with lower variable compensation costs in the prior period due to COVID-19, partially offset by the realignment costs from the 2020 program of approximately \$5,200 and a decrease in stock-based compensation expense of approximately \$2,200.

*General and administrative.* For the three months ended September 30, 2021, general and administrative expenses increased 7.2%, or 5.2% in constant currency, as compared to the three months ended September 30, 2020. On a constant currency basis, this increase was primarily due to an increase in costs of computer equipment and facilities of approximately \$2,000, primarily attributable to our recent acquisitions, partially offset by a decrease in headcount-related costs of approximately \$700. The approximate \$700 decrease in headcount-related costs was primarily comprised of a decrease of approximately \$3,800 in Bonus Plan related cash compensation due to the change in our Bonus Plan as described above and the realignment costs from the 2020 program of approximately \$2,300. Partially offsetting these decreases in headcount-related costs is an increase in salaries and variable compensation costs of approximately \$4,100, primarily due to annual salary adjustments in 2021 combined with lower variable compensation costs in the prior period due to COVID-19, and an increase in stock-based compensation expense of approximately \$1,300.

For the nine months ended September 30, 2021, general and administrative expenses increased 29.1%, or 27.0% in constant currency, as compared to the nine months ended September 30, 2020. On a constant currency basis, this increase was primarily due to an increase in acquisition and integration costs and other corporate initiatives of approximately \$15,400, primarily due to expenses related to the acquisition of Seequent, and an increase in headcount-related costs of approximately \$5,200. The approximate \$5,200 increase in headcount-related costs was primarily comprised of an increase in salaries and variable compensation costs of approximately \$7,300, primarily due to annual salary adjustments in 2021 combined with lower variable compensation costs in the prior period due to COVID-19, and an increase in stock-based compensation expense of approximately \$9,500. Partially offsetting these increases in headcount-related costs is a decrease of approximately \$9,300 in Bonus Plan related cash compensation due to the change in our Bonus Plan as described above and the realignment costs from the 2020 program of approximately \$2,300.

*Deferred compensation plan.* For the three months ended September 30, 2021, deferred compensation plan expenses increased by \$88,915 as compared to the three months ended September 30, 2020. For the nine months ended September 30, 2021, deferred compensation plan expenses increased by \$89,442 as compared to the nine months ended September 30, 2020. These increases were primarily attributable to a one-time \$90,721 compensation charge recognized during the three and nine months ended September 30, 2021 as discussed further below.

In August 2021, our Board of Directors approved an amendment to the DCP, which offered to certain active executives in the DCP a one-time, short-term election to reallocate a limited portion of their DCP holdings from phantom shares of the Company's Class B Common Stock into other DCP phantom investment funds. The offer to reallocate was subject to a proration mechanism which adjusted the aggregate elections to a maximum of 1,500,000 phantom shares of the Company's Class B Common Stock. This one-time reallocation opportunity was offered only to certain active executives (but not to Directors or Bentley family members) in order to encourage retention, as otherwise these executives could only have materially diversified their investments in Company equity (primarily held in the DCP) by voluntarily terminating employment to trigger DCP distributions. These executives in aggregate accordingly diversified 24% of their phantom shares of the Company's Class B Common Stock. While DCP participants' investments in phantom shares remain equity classified, as they will be settled in shares of Class B Common Stock upon eventual distribution, the amendment and elections resulted in a change to liability classification for the reallocated phantom investments, as they will be settled in cash upon eventual distribution. As a result, during the three and nine months ended September 30, 2021, the Company recognized a one-time compensation charge of \$90,721 to *Deferred compensation plan* expenses in the consolidated statements of operations to record the reallocated deferred compensation plan liabilities at their fair value.

*Amortization of purchased intangibles.* For the three months ended September 30, 2021, amortization of purchased intangibles increased by 124.2%, or 116.2% in constant currency, as compared to the three months ended September 30, 2020. On a constant currency basis, this increase was primarily attributable to amortization from recently acquired purchased intangibles.

For the nine months ended September 30, 2021, amortization of purchased intangibles increased by 52.1%, or 44.4% in constant currency, as compared to the nine months ended September 30, 2020. On a constant currency basis, this increase was primarily attributable to amortization from recently acquired purchased intangibles.

*Expenses associated with initial public offering.* For the three and nine months ended September 30, 2020, expenses associated with IPO include certain non-recurring costs relating to our IPO, consisting of the payment of underwriting discounts and commissions applicable to the sale of shares by the selling stockholders, professional fees, and other expenses. We completed our IPO on September 25, 2020. These fees were expensed in the period incurred.

*Interest Expense, Net*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest expense	\$ (3,861)	\$ (1,975)	\$ (8,844)	\$ (4,821)
Interest income	25	41	236	371
Interest expense, net	<u>\$ (3,836)</u>	<u>\$ (1,934)</u>	<u>\$ (8,608)</u>	<u>\$ (4,450)</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Bank credit facility	\$ (911)	\$ (1,519)	\$ (2,490)	\$ (3,953)
Interest rate swap	(325)	(288)	(942)	(398)
Convertible senior notes, coupon interest	(772)	—	(1,155)	—
Amortization and write-off of deferred debt issuance costs	(1,789)	(153)	(4,160)	(430)
Other, net	(39)	26	139	331
Interest expense, net	<u>\$ (3,836)</u>	<u>\$ (1,934)</u>	<u>\$ (8,608)</u>	<u>\$ (4,450)</u>

For the three months ended September 30, 2021, interest expense, net increased from the three months ended September 30, 2020 primarily due to the increase in amortization and write-off of deferred debt issuance costs in connection with the Second Amendment to the Credit Facility and the convertible senior notes, partially offset by a lower outstanding average balance under the Credit Facility.

For the nine months ended September 30, 2021, interest expense, net increased from the nine months ended September 30, 2020 primarily due to the increase in amortization and write-off of deferred debt issuance costs in connection with the Second Amendment to the Credit Facility and the convertible senior notes, partially offset by a lower outstanding average balance under the Credit Facility.

*Other (Expense) Income, Net*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Foreign exchange (loss) gain	\$ (2,446)	\$ 12,830	\$ (248)	\$ 8,567
Other income (expense), net	1,489	911	9,996	(1,811)
Total other (expense) income, net	\$ (957)	\$ 13,741	\$ 9,748	\$ 6,756

For the three months ended September 30, 2021 and 2020, total other (expense) income, net consists of foreign exchange (losses) gains of \$(2,446) and \$12,830, respectively, and \$(248) and \$8,567 for the nine months ended September 30, 2021 and 2020, respectively. The foreign exchange (losses) gains derives primarily from U.S. Dollar denominated cash and cash equivalents, accounts receivable, and intercompany balances held by foreign subsidiaries. For the three months ended September 30, 2021 and 2020, intercompany finance transactions denominated in U.S. Dollars resulted in unrealized foreign exchange (losses) gains of \$(2,741) and \$12,284, respectively, and \$(1,298) and \$10,519 for the nine months ended September 30, 2021 and 2020, respectively.

For the three months ended September 30, 2021 and 2020, other income (expense), net includes a gain from the change in fair value of our interest rate swap of \$1,463 and \$809, respectively. For the nine months ended September 30, 2021, other income (expense), net includes a gain from the change in fair value of our interest rate swap of \$9,198. For the nine months ended September 30, 2020, other income (expense), net includes a loss from the change in fair value of our interest rate swap of \$3,365, partially offset by a gain from the change in fair value of acquisition contingent consideration of \$1,340.

*Provision (Benefit) for Income Taxes*

The income tax provisions for the three months ended September 30, 2021 and 2020 were based on the estimated annual effective income tax rates adjusted for discrete items occurring during the periods presented. For the three months ended September 30, 2021 and 2020, we recognized an aggregate consolidated income tax expense of \$4,223 and \$10,705, respectively, for U.S. domestic and foreign income taxes. For the three months ended September 30, 2021 and 2020, we recorded a discrete tax benefit of \$6,724 and \$3,826, respectively, associated with stock-based compensation. The effective income tax rate was (9.3)% on *Loss before income taxes* of \$45,241 for the three months ended September 30, 2021, as compared to the effective income tax rate of 62.5% on *Income before income taxes* of \$17,130 for the three months ended September 30, 2020. For the three months ended September 30, 2021, we recognized a one-time compensation charge of \$90,721 to *Deferred compensation plan* expenses to record its reallocated deferred compensation plan liabilities at fair value. The effective income tax rate of (9.3)% for the three months ended September 30, 2021 was primarily due to the loss before income taxes resulting from this one-time compensation charge, combined with a significant reduction in associated tax benefits due to officer compensation limitation provisions relating to this charge. The effective income tax rate of 62.5% for the three months ended September 30, 2020 was primarily due to officer compensation limitation provisions resulting from our IPO, which went effective during the three months ended September 30, 2020, and the non-deductibility of expenses associated with our IPO, partially offset by discrete windfall tax benefits from stock-based compensation.

The income tax provisions for the nine months ended September 30, 2021 and 2020 were based on the estimated annual effective income tax rates adjusted for discrete items occurring during the periods presented. For the nine months ended September 30, 2021 and 2020, we recognized an aggregate consolidated income tax (benefit) expense of \$(6,165) and \$22,145, respectively, for U.S. domestic and foreign income taxes. For the nine months ended September 30, 2021 and 2020, we recorded a discrete tax benefit of \$55,102 and \$10,511, respectively, associated with stock-based compensation. The effective income tax rate of (12.7)% on *Income before income taxes* of \$48,562 for the nine months ended September 30, 2021 was lower than the effective income tax rate of 22.6% on *Income before income taxes* of \$98,181 for the nine months ended September 30, 2020 primarily due to discrete windfall tax benefits from stock-based compensation, partially offset by the impact from officer compensation limitation provisions.



*Net (Loss) Income*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net (loss) income	\$ (50,128)	\$ 5,844	\$ 51,788	\$ 74,589

For the three months ended September 30, 2021, we had a net loss of \$50,128 compared to net income of 5,844 for the three months ended September 30, 2020. For the nine months ended September 30, 2021, net income decreased by \$22,801 compared to the nine months ended September 30, 2020. The changes are due to the factors stated above.

*Adjusted EBITDA and Adjusted Net Income*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Adjusted EBITDA	\$ 84,468	\$ 73,655	\$ 236,778	\$ 188,996
Adjusted Net Income	\$ 56,289	\$ 51,424	\$ 194,971	\$ 140,502

For the three and nine months ended September 30, 2021, Adjusted EBITDA increased by \$10,813 and \$47,782 compared to the three and nine months ended September 30, 2020, respectively. For the three months ended September 30, 2021 and 2020, Adjusted EBITDA as a percentage of revenue was 34.0% and 36.3%, respectively. For the nine months ended September 30, 2021 and 2020, Adjusted EBITDA as a percentage of revenue was 34.1% and 32.5%, respectively.

For the three months ended September 30, 2021, Adjusted Net Income increased by \$4,865 compared to three months ended September 30, 2020. For the nine months ended September 30, 2021, Adjusted Net Income increased by \$54,469 compared to the nine months ended September 30, 2020. For the three months ended September 30, 2021 and 2020, Adjusted Net Income as a percentage of revenue was 22.7% and 25.3%, respectively. For the nine months ended September 30, 2021 and 2020, Adjusted Net Income as a percentage of revenue was 28.1% and 24.1%, respectively.

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

## **Liquidity and Capital Resources:**

Our primary source of cash is generated from the delivery of subscriptions, perpetual licenses, and services. Our primary use of cash is payment of our operating costs, which consist primarily of colleague-related expenses, such as compensation and benefits, as well as general operating expenses for marketing, facilities, and overhead costs. In addition to operating expenses, we also use cash to fund growth initiatives, which include acquisitions of software assets and businesses. In connection with the acquisition of Seequent in June 2021, we used readily available cash, including a portion of the net proceeds from the 2026 Notes, and borrowings under our Credit Facility to fund the cash component of the transaction. As described further below, we used \$25,875 of the net proceeds from the sale of the 2027 Notes to pay the premiums of the capped call options, and \$536,062 to repay outstanding indebtedness under the Credit Facility and to pay related fees and expenses. We used \$25,530 of the net proceeds from the sale of the 2026 Notes to pay the premiums of the capped call options, and approximately \$250,500 to repay outstanding indebtedness under the Credit Facility and to pay related fees and expenses. We used the remainder of the net proceeds from the sale of the 2026 Notes for general corporate purposes and towards funding certain acquisitions, including Seequent.

Our cash and cash equivalent balances are concentrated in a few locations around the world, with substantial amounts held outside of the United States. As of September 30, 2021 and December 31, 2020, 94% of our total cash and cash equivalents were located outside of the United States. We intend to continue to permanently reinvest these funds outside of the United States and current plans do not demonstrate a need to repatriate them to fund our U.S. operations. We expect to meet our U.S. liquidity needs through ongoing cash flows or external borrowings including available liquidity under the Credit Facility described below. We regularly review our capital structure and consider a variety of potential financing alternatives and planning strategies to ensure that we have the proper liquidity available in the locations in which it is needed and to fund our operations and growth investments with cash that has not been permanently reinvested outside the United States.

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

### Cash and cash equivalents

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents:		
Held domestically	\$ 8,589	\$ 7,861
Held by foreign subsidiaries	147,166	114,145
Total cash and cash equivalents	<u>\$ 155,755</u>	<u>\$ 122,006</u>

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

### Bank Credit Facility

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

On June 22, 2021, we entered into the Third Amendment to the Credit Facility, which increased the aggregate amount of approved convertible debt to permit the issuance and sale of additional convertible senior notes. See the section titled “—Convertible Senior Notes—2027 Notes” below.

In addition to the senior secured revolving loan facility, the Credit Facility also provides up to \$50,000 of letters of credit and other incremental borrowings subject to availability, including a \$85,000 multi-currency swing-line sub-facility and a \$200,000 incremental “accordion” sub-facility. We had \$150 of letters of credit and surety bonds outstanding as of September 30, 2021 and December 31, 2020. As of September 30, 2021 and December 31, 2020, we had \$781,996 and \$253,850 available under the Credit Facility.

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

Borrowings under the Credit Facility are guaranteed by all of our first tier domestic subsidiaries and are secured by a first priority security interest in substantially all of our and the guarantors’ U.S. assets and 65% of the stock of their directly owned foreign subsidiaries. The Credit Facility contains both affirmative and negative covenants, including maximum leverage ratios. As of September 30, 2021 and December 31, 2020, we were in compliance with all covenants in our Credit Facility debt agreements.

Interest rate risk associated with the Credit Facility is managed through an interest rate swap which we executed on March 31, 2020. The swap has an effective date of April 2, 2020 and a termination date of April 2, 2030. Under the terms of the swap, we fixed our LIBOR borrowing rate at 0.73% on a notional amount of \$200,000. The interest rate swap is not designated as a hedging instrument for accounting purposes. We account for the swap as either an asset or a liability in the consolidated balance sheets and carry the derivative at fair value. Gains and losses from the change in fair value are recognized in *Other income (expense), net*, in the consolidated statements of operations. As of September 30, 2021 and December 31, 2020, we recorded a swap related asset at fair value of \$9,545 and \$347, respectively, in *Other assets* in the consolidated balance sheets.

The weighted average interest rate under the Credit Facility was 2.33% and 1.59% for the three months ended September 30, 2021 and 2020, respectively, and 2.02% and 1.92% for the nine months ended September 30, 2021 and 2020, respectively.

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

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

### **Convertible Senior Notes**

*2027 Notes.* On June 28, 2021, we completed a private offering of \$575,000 of 0.375% convertible senior notes due 2027. The 2027 Notes were issued pursuant to an indenture, dated as of June 28, 2021, between the Company and Wilmington Trust, National Association, as trustee (the “2027 Trustee”) (the “2027 Indenture”). Interest will accrue from June 28, 2021 and will be payable semi-annually in arrears in cash on January 1 and July 1 of each year, with the first payment due on January 1, 2022. The 2027 Notes will mature on July 1, 2027, unless earlier converted, redeemed or repurchased. We incurred \$15,065 of expenses in connection with the 2027 Notes offering consisting of transaction costs. As of September 30, 2021, \$375 of the transaction costs were recorded in *Accounts payable* in the consolidated balance sheet. We used \$25,875 of the net proceeds from the sale of the 2027 Notes to pay the premiums of the capped call options described further below, and \$536,062 to repay outstanding indebtedness under the Credit Facility and to pay related fees and expenses.

Prior to April 1, 2027, the 2027 Notes will be convertible at the option of the holder only under the following circumstances: (1) during any calendar quarter (and only during such quarter) commencing after the calendar quarter ending on September 30, 2021, if the last reported sale price per share of our Class B Common Stock exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any ten consecutive trading day period (such ten consecutive trading day period, the “measurement period”) in which the trading price per \$1 principal amount of 2027 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of our Class B Common Stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on our Class B Common Stock, as described in the 2027 Indenture; and (4) if we call the 2027 Notes for redemption. On or after April 1, 2027 until 5:00 p.m., New York City time, on the second scheduled trading day immediately before the maturity date, the 2027 Notes will be convertible at the option of the holder at any time.

We will settle conversions by paying or delivering, as applicable, cash, shares of our Class B Common Stock or a combination of cash and shares of our Class B Common Stock, at our election, based on the applicable conversion rate. The initial conversion rate is 12.0153 shares of our Class B Common Stock per \$1 principal amount of 2027 Notes, which represents an initial conversion price of approximately \$83.23 per share, and is subject to adjustment as described in the 2027 Indenture. If a “make-whole fundamental change” (as defined in the 2027 Indenture) occurs, then we will, in certain circumstances, increase the conversion rate for a specified period of time.

We will have the option to redeem the 2027 Notes in whole or in part at any time on or after July 5, 2024 and on or before the 40th scheduled trading day immediately before the maturity date if the last reported sale price per share of our Class B common stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during any 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related redemption notice; and (2) the trading day immediately before the date we send such notice. The redemption price will be equal to the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Upon a fundamental change (as defined in the 2027 Indenture), holders may, subject to certain exceptions, require us to purchase their 2027 Notes in whole or in part for cash at a price equal to the principal amount of the 2027 Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date (as defined in the 2027 Indenture). In addition, upon a Make-Whole Fundamental Change (as defined in the 2027 Indenture), we will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its 2027 Notes in connection with such Make-Whole Fundamental Change. No adjustment to the conversion rate will be made if the stock price in such Make-Whole Fundamental Change is either less than \$61.65 per share or greater than \$325.00 per share. We will not increase the conversion rate to an amount that exceeds 16.2206 shares per \$1 principal amount of 2027 Notes, subject to adjustment. The 2027 Indenture also contains a customary merger covenant.

Under the 2027 Indenture, the 2027 Notes may be accelerated upon the occurrence of certain customary events of default. If certain bankruptcy and insolvency-related events of default with respect to us occur, the principal of, and accrued and unpaid interest on, all of the then outstanding 2027 Notes shall automatically become due and payable. If any other event of default occurs and is continuing, the 2027 Trustee by notice to us, or the holders of the 2027 Notes of at least 25% in principal amount of the outstanding 2027 Notes by notice to us and the 2027 Trustee, may declare the principal of, and accrued and unpaid interest on, all of the then outstanding 2027 Notes to be due and payable. Notwithstanding the foregoing, the 2027 Indenture provides that, to the extent we elect, the sole remedy for an event of default relating to certain failures by us to comply with reporting covenant in the 2027 Indenture consists exclusively of the right to receive additional interest on the 2027 Notes.

We early adopted ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* (“ASU 2020-06”) as of January 1, 2021 and concluded the 2027 Notes will be accounted for as debt, with no bifurcation of the embedded conversion feature. Transaction costs were recorded as a direct deduction from the related debt liability in the consolidated balance sheet and are amortized to interest expense using the effective interest method over the term of the 2027 Notes. The effective interest rate for the 2027 Notes is 0.864%.

As of September 30, 2021, none of the conditions of the 2027 Notes to early convert has been met.

The 2027 Notes are our senior, unsecured obligations that rank senior in right of payment to our future indebtedness that is expressly subordinated to the 2027 Notes, rank equally in right of payment with our existing and future senior unsecured indebtedness that is not so subordinated (including our 2026 Notes), effectively subordinated to our existing and future secured indebtedness (including obligations under our senior secured credit facilities), to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables and preferred equity (to the extent we are not a holder thereof)) of our subsidiaries. The 2027 Notes contain both affirmative and negative covenants. As of September 30, 2021, we were in compliance with all covenants in the 2027 Notes.

*Capped Call Options.* In connection with the pricing of the 2027 Notes, we entered into capped call options with certain of the initial purchasers or their respective affiliates and certain other financial institutions. We incurred \$50 of expenses in connection with the capped call options, which were recorded in *Accounts payable* in the consolidated balance sheet as of September 30, 2021. The capped call options are expected to reduce potential dilution to our Class B Common Stock upon any conversion of 2027 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the capped call options is initially \$95.5575 per share, which represents a premium of 55% above the last reported sale price per share of our Class B Common Stock on the Nasdaq Global Select Market on June 23, 2021 and is subject to customary adjustments under the terms of the capped call options.

The capped call options were entered into in conjunction with the issuance of the 2027 Notes, however, they are legally separate agreements that can be separately exercised, with the receipt of shares under the capped call options having no effect on the 2027 Notes, and are legally detachable. As the capped call options are both legally detachable and separately exercisable from the 2027 Notes, we account for the capped call options separately from the 2027 Notes. The capped call options are indexed to our own common stock and classified in stockholders' equity. As such, the premiums paid for the capped call options have been included as a net reduction to *Additional paid-in capital* in the consolidated balance sheet.

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

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

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

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

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

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

As previously mentioned, we early adopted ASU 2020-06 as of January 1, 2021 and concluded the 2026 Notes will be accounted for as debt, with no bifurcation of the embedded conversion feature. Transaction costs were recorded as a direct deduction from the related debt liability in the consolidated balance sheet and are amortized to interest expense using the effective interest method over the term of the 2026 Notes. The effective interest rate for the 2026 Notes is 0.658%.

As of September 30, 2021, none of the conditions of the 2026 Notes to early convert has been met.

The 2026 Notes are our senior, unsecured obligations that rank senior in right of payment to our future indebtedness that is expressly subordinated to the 2026 Notes, rank equally in right of payment with our existing and future senior unsecured indebtedness that is not so subordinated (including our 2027 Notes, see the section titled “—2027 Notes” below), effectively subordinated to our existing and future secured indebtedness (including obligations under our senior secured credit facilities), to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables and preferred equity (to the extent we are not a holder thereof)) of our subsidiaries. The 2026 Notes contain both affirmative and negative covenants. As of September 30, 2021, we were in compliance with all covenants in the 2026 Notes.

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

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

#### **Comparison of the Nine Months Ended September 30, 2021 and 2020**

The following table summarizes our cash flow activities for the nine months ended September 30, 2021 and 2020:

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Net Cash Provided By (Used In):</b>		
Operating activities	\$ 207,417	\$ 176,025
Investing activities	(1,047,847)	(88,808)
Financing activities	869,649	(70,130)

#### *Operating activities*

Net cash provided by operating activities was \$207,417 for the nine months ended September 30, 2021. Compared to the same period in the prior year, net cash from operating activities was higher by \$31,392 due to a net increase in net cash flows from the change in operating assets and liabilities of \$56,312, partially offset by a decrease in net income of \$22,801 and a net decrease in non-cash adjustments of \$2,119. The net increase in cash flows from the change in operating assets and liabilities was primarily due to the increase in deferred compensation plan liabilities (as previously described above), the changes in accounts receivable due to timing of collections from customers, and an increase in prepaid income taxes.

For the nine months ended September 30, 2020, net cash provided by operating activities was \$176,025 due to net income of \$74,589 increased by \$51,600 of non-cash adjustments and \$49,836 from changes in operating assets and liabilities.

#### *Investing activities*

Net cash used in investing activities was \$1,047,847 for the nine months ended September 30, 2021, primarily due to \$11,152 related to purchases of property and equipment and investment in capitalized software and \$1,033,695 in acquisition related payments, net of cash acquired.

For the nine months ended September 30, 2020, net cash used in investing activities was \$88,808, primarily due to \$13,533 related to purchases of property and equipment and investment in capitalized software and \$68,920 in acquisition related payments, net of cash acquired.



### *Financing activities*

Net cash provided by financing activities was \$869,649 for the nine months ended September 30, 2021. Compared to the prior year comparative period, net cash provided by financing activities increased by \$939,779, primarily due to the net proceeds from the convertible senior notes of \$1,233,377 and a decrease in payments for dividends of \$387,776, partially offset by a decrease in net borrowings of \$534,395 under the Credit Facility, the purchase of capped call options of \$51,555, and an increase in net payments for shares acquired of \$38,830.

For the nine months ended September 30, 2020, net cash used in financing activities was \$70,130, primarily due to payments of dividends of \$412,852, partially offset by an increase in net borrowings \$356,250.

### **Contractual Obligations and Other Commitments:**

As noted above, on January 26, 2021, we completed the 2026 Notes private offering, and on June 28, 2021, we completed the 2027 Notes private offering. See Note 10 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. As a result of a net increase in long-term debt, our obligation for interest on long-term debt will also increase.

Also as noted above, in August 2021, our Board of Directors approved an amendment to the DCP, which offered to certain active executives in the DCP a one-time, short-term election to reallocate a limited portion of their DCP holdings from phantom shares of the Company's Class B Common Stock into other DCP phantom investment funds. While DCP participants' investments in phantom shares remain equity classified, as they will be settled in shares of Class B Common Stock upon eventual distribution, the amendment and elections resulted in a change to liability classification for the reallocated phantom investments, as they will be settled in cash upon eventual distribution. See Note 12 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

### **Emerging Growth Company:**

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

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

*Interest rate risk.* The fair value of our 2026 and 2027 Notes is subject to interest rate risk, market risk, and other factors due to the conversion feature. The capped call options that were entered into concurrently with the issuance of our 2026 and 2027 Notes were completed to reduce the potential dilution from the conversion of the 2026 and 2027 Notes. The fair value of the 2026 and 2027 Notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the 2026 and 2027 Notes will generally increase as our Class B Common Stock price increases and will generally decrease as the common stock price declines. The interest and market value changes affect the fair value of the 2026 Notes, but do not impact our financial position, results of operations, or cash flows due to the fixed nature of the debt obligation.

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

## **Item 4. Controls and Procedures**

### ***Evaluation of Effectiveness of Disclosure Controls and Procedures***

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

We evaluated, under the supervision and with the participation of management, including our principal executive and principal financial officers, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

### ***Changes in Internal Control over Financial Reporting***

There was no change in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a or 15d of the Exchange Act that occurred during the quarter ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact in our internal control over financial reporting despite our colleagues working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 pandemic on our internal controls including changes to their design and operating effectiveness.

### ***Inherent Limitations on Effectiveness of Controls***

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

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

### Item 1A. Risk Factors

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

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

#### *Recent Sales of Unregistered Equity Securities*

From July 1, 2021 to September 30, 2021, we issued 192,383 shares of our Class B Common Stock pursuant to the vesting of restricted stock awards and restricted stock units.

From July 1, 2021 to September 30, 2021, we issued 88,920 shares of our Class B Common Stock in connection with distributions from our amended and restated Bentley Systems, Incorporated Nonqualified Deferred Compensation Plan.

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

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
10.1*	<a href="#"><u>Amendment No. 1 to the Bentley Systems, Incorporated Nonqualified Deferred Compensation Plan, as amended and restated effective as of September 22, 2020</u></a>
31.1*	<a href="#"><u>Certification of CEO pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended</u></a>
31.2*	<a href="#"><u>Certification of CFO pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended</u></a>
32.1*	<a href="#"><u>Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover page formatted as Inline XBRL and contained in Exhibit 101

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



**AMENDMENT NO. 1  
TO THE  
BENTLEY SYSTEMS, INCORPORATED  
NONQUALIFIED DEFERRED COMPENSATION PLAN  
(As Amended and Restated Effective September 22, 2020)**

**WHEREAS**, Bentley Systems, Incorporated (the “Company”), a Delaware corporation, sponsors the Bentley Systems, Incorporated Nonqualified Deferred Compensation Plan (the “Plan”) for its officers and key employees, originally effective January 1, 2007, in order to attract and retain such individuals and motivate them to exercise their best efforts on behalf of the Company and its subsidiaries; and

**WHEREAS**, the Company most recently amended and restated the Plan effective as of September 22, 2020; and

**WHEREAS**, Section 11.1 of the Plan provides that the Board of Directors of the Company (the “Board”) may amend the Plan from time to time; and

**WHEREAS**, the Board desires to amend the Plan in order to permit a one-time election to change deemed investments under the Plan from Phantom Shares to the Investment Funds;

**NOW, THEREFORE**, effective August 19, 2021, the Plan is hereby amended as follows:

**1. Section 1.3 of the Plan is amended to read as follows:**

1.3 “Agreement” shall mean, as applicable, one of the deferred compensation agreements, substantially in the forms set forth in Appendices A attached hereto, to be entered into by a Participant and the Company to provide the Participant with the opportunity (i) to make an initial election of Employee Deferrals (Appendix A-1 attached hereto); (ii) to elect a later distribution date (or commencement of distribution date) (Appendix A-2 attached hereto); (iii) to change deemed investment requests for Company Contribution Units or Employee Deferrals (Appendix A-3 attached hereto); and (iv) to terminate Employee Deferrals (Appendix A-4 attached hereto).

**2. Section 1.10 of the Plan is amended to read as follows:**

1.10 “Company Contribution Unit” shall mean a discretionary credit made by the Company on behalf of a Participant.

**3. Section 2.3 of the Plan is amended to read as follows:**

2.3 Deemed Investment. Except as otherwise provided in Article V, Company Contribution Units shall be deemed invested in Phantom Shares, and any such units not deemed invested in Phantom Shares as of January 1, 2015 or thereafter shall be transferred to a deemed investment in Phantom Shares as of March 31, 2015. The number of Phantom Shares may contain a fraction, rounded to the nearest 1/10,000 (0.0001) of a share.

**4. Section 2.4 of the Plan is amended to read as follows:**

2.4 Distribution of Company Contribution Units. Except as provided in Article V:

(a) The Company shall distribute a Participant's vested Company Contribution Units in seven annual installments beginning, unless the Participant elects otherwise in accordance with Section 4.1(a), on, or as soon as administratively practicable after, the April 1 following the fourth anniversary of the date on which such units were credited to the Participant's Account, and on, or as soon as administratively practicable after, each April 1 thereafter. Such distribution shall be made in Class B Stock, except that the value of any fractional Phantom Share shall be distributed in cash on, or as soon as administratively practicable after, such April 1. For purposes of determining the value of any such fractional Phantom Share and for purposes of determining the value of any such distribution of Class B Stock for tax purposes, the value of each share of Class B Stock shall equal the Share Value on the actual distribution date.

(b) Except as provided in subsection (d) below, the amount of each installment distribution, other than the final distribution, shall equal  $1/n$  multiplied by the number of Phantom Shares attributable to vested Company Contribution Units in the Participant's Account as of the day prior to the stated distribution date, where "n" equals the number of distributions yet to be made. The final distribution will equal the number of Phantom Shares attributable to vested Company Contribution Units in the Participant's Account as of the day prior to the final stated distribution date. For example, if distributions are to commence to a Participant on April 1, 2015, the first distribution will be made to the Participant on, or as soon as administratively practicable after, April 1, 2015 and will equal  $1/7$  of the March 31, 2015 number of Phantom Shares attributable to vested Company Contribution Units in the Participant's Account. The April 1, 2016 distribution will be made to the Participant as soon as administrative practicable on or after April 1, 2016 and will equal  $1/6$  of the March 31, 2016 number of Phantom Shares attributable to vested Company Contribution Units in the Participant's Account.

In the above example, if the Participant has 700 Phantom Shares in his or her Account as of March 31, 2015, the Participant will receive 100 shares of Class B Stock as soon as administrative practicable on or after April 1, 2015. Six hundred Phantom Shares will remain in the Participant's Account to be distributed as soon as administratively practicable on or after each of the next six April 1s in the form of Class B Stock.



(c) If the Participant's death occurs during the deferral or distribution period, the number of Phantom Shares attributable to the Participant's remaining vested Company Contribution Units (as of the day immediately preceding the date of the Participant's death) shall be distributed in Class B Stock to the Participant's beneficiary(ies) on, or as soon as administratively practicable after, the date of the Participant's death.

(d) Notwithstanding the foregoing, if the value of the sum of the Company Contribution Units and Employee Deferrals in the Participant's Account as of the date of the first scheduled distribution of either Company Contribution Units or Employee Deferrals or as of any future date is less than or equal to the limit set forth (as adjusted) in Section 402(g)(1)(B) of the Code (\$19,500 for 2020), the Company may, in its sole discretion, distribute the entire amount in such Participant's Account in Class B Stock to the Participant as soon as administratively practicable on or after such date.

**5. Section 3.2 of the Plan is amended to read as follows:**

3.2 Deferred Compensation Account. All of a Participant's Employee Deferrals shall be credited to the Participant's Account in the form of a bookkeeping entry. Except as otherwise provided in Article V, Employee Deferrals credited to a Participant's Account on and after January 1, 2015 shall be deemed invested in Phantom Shares (based on their Share Value on the date the Employee Deferrals are withheld from the Participant's Bonus), and any such deferrals not deemed invested in Phantom Shares as of January 1, 2015 or thereafter shall be transferred to a deemed investment in Phantom Shares as of March 31, 2015.

**6. Section 3.3 of the Plan is amended to read as follows:**

3.3 Distribution of Employee Deferrals. Except as provided in Article V:

(a) Pursuant to a Participant's election in his or her Agreement substantially in the form of Appendix A-1 attached hereto, his or her Employee Deferrals shall be distributed on, or as soon as administratively practicable after, either (i) his or her Separation from Service or (ii) a date(s) chosen by the Participant. The Participant may also elect to receive his or her Employee Deferrals on, or as soon as administratively practicable after, either (A) an "unforeseeable emergency," as defined in Section 409A(a)(2)(B)(ii) of the Code, to the extent not prohibited by that Section of the Code and regulations issued thereunder or (B) a 409A Change in Control. If the Participant wishes to defer further the distribution (or commencement of distribution) date for his or her Employee Deferrals, the Participant may do so pursuant to Section 4.2.

(b) A Participant shall elect in an Agreement substantially in the form of Appendix A-1 attached hereto to have his or her Employee Deferrals distributed in:

- (1) a single distribution; or

(2) any number of annual installments (as calculated in the following paragraph) for a period of two to 10 years, distributable as of the same date in each calendar year until the balance in the Participant's Account is exhausted.

Except as provided in subsection (d) below, the amount of each installment distribution, other than the final distribution, shall equal  $1/n$  multiplied by the number of Phantom Shares attributable to Employee Deferrals in the Participant's Account as of the day prior to the stated distribution date, where "n" equals the number of distributions yet to be made. The final distribution will equal the number of Phantom Shares attributable to Employee Deferrals in the Participant's Account as of the day prior to the final stated distribution date. For example, if distributions are to be made in 10 annual installments commencing on April 1, 2015, the first distribution will be made to the Participant on, or as soon as administratively practicable after, April 1, 2015 and will equal  $1/10$  of the March 31, 2015, number of Phantom Shares attributable to Employee Deferrals in the Participant's Account. The April 1, 2016 distribution will be made to the Participant on, or as soon as administratively practicable after, April 1, 2016 and will equal  $1/9$  of the March 31, 2016, number of Phantom Shares attributable to Employee Deferrals in the Participant's Account.

In the above example, if the Participant has 500 Phantom Shares in his or her Account as of March 31, 2015, the Participant will receive 50 shares of Class B Stock on, or as soon as administratively practicable after, April 1, 2015. Four hundred fifty Phantom Shares will remain in the Participant's Account to be distributed on, or as soon as administratively practicable after, each of the next nine April 1s in the form of Class B Stock.

(c) If the Participant's death occurs during the deferral or distribution period, the number of Phantom Shares attributable to the Participant's Employee Deferrals (as of the day immediately preceding the date of the Participant's death) shall be distributed in Class B Stock to the Participant's beneficiary(ies) on, or as soon as administratively practicable after, the date of the Participant's death.

(d) Notwithstanding the foregoing, if the value of the sum of the Company Contribution Units and the Employee Deferrals in the Participant's Account as of the date of the first scheduled distribution of either Company Contribution Units or Employee Deferrals or as of any future date is less than or equal to the limit set forth (as adjusted) in Section 402(g)(1)(B) of the Code (\$19,500 for 2020), the Company may, in its sole discretion, distribute the entire amount in such Participant's Account in Class B Stock to the Participant on, or as soon as administratively practicable after, such date.

**7. Article V of the Plan is amended to read as follows:**

ARTICLE V  
GRANDFATHERED PARTICIPANTS AND  
SPECIAL INVESTMENT ELECTIONS

The following rules shall apply notwithstanding any other provision of the Plan:

5.1 Required Changes in Deemed Investments. A Grandfathered Participant (or his or her legal guardian or beneficiary, as applicable) was required to change the deemed investment of any vested Company Contribution Units and any Employee Deferrals that were still deemed invested in Phantom Shares at the time of Separation of Service among any of the available Investment Funds. If the Grandfathered Participant did not submit the change to the Plan Administrator in a timely fashion, the Grandfathered Participant's vested Company Contribution Units and Employee Deferrals were deemed invested in the JPMorgan Prime Money Market Fund.

5.2 One-Time Permitted Change in Deemed Investments. Effective August 19, 2021, any Participant identified by the Plan Administrator in its sole discretion as eligible to make an election under Section 5.2 of the Plan and as recorded as such in the books and records of the Plan Administrator (each an "Eligible Participant" and, for the purposes of this Plan, any reference to a Participant shall also include each Eligible Participant unless the context requires otherwise) may make a one-time election to change the deemed investment of any or all Company Contribution Units (whether or not vested) and any Employee Deferrals that are deemed invested in Phantom Shares as of such date among any of the available Investment Funds, provided that the Plan Administrator may limit the number of Company Contribution Units to which such election may apply. Such election shall be made prior to the effective date of the election at the time and in the manner determined by the Plan Administrator and shall be irrevocable.

5.3 Request to Change Deemed Investments. A Participant any of whose Company Contribution Units and Employee Deferrals are deemed invested in the Investment Funds as described in Section 5.1 or 5.2 may request (as of the first business day of any calendar quarter or as otherwise permitted by the Plan Administrator) to change the deemed investment of his or her vested Company Contribution Units and Employee Deferrals among any of the available Investment Funds.

5.4 Valuation of Investment Funds. Company Contribution Units and Employee Deferrals deemed invested in the Investment Funds shall be valued based on the per-share closing price for each fund as of the applicable Valuation Date.

5.5 Payment of Amounts Deemed Invested in Investment Funds. Notwithstanding Sections 2.4 and 3.3, a Participant shall receive payment of Company Contribution Units and Employee Deferrals deemed invested in the Investment Funds in cash.

5.6 Earnings on Investment Funds. The Account of a Participant that is deemed invested in the Investment Funds shall be credited daily with any income, gains and losses that would have been realized if amounts equal to the Company Contribution Units or Employee Deferrals had actually been invested in the chosen Investment Funds on the date the Plan Administrator approves the Participant's deemed investment request. For this purpose, any amounts that would have been received, had amounts been invested as described above, from a chosen Investment Fund will be treated as if reinvested in that Investment Fund on the date such amounts would have been received.

**IN WITNESS WHEREOF**, Bentley Systems, Incorporated has caused this Amendment No. 1 to be executed this 19th day of August, 2021.

BENTLEY SYSTEMS, INCORPORATED

By: /s/ David R. Shaman

Name: David R. Shaman

Title: Chief Legal Officer

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

I, Gregory S. Bentley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bentley Systems, Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2021

/s/ GREGORY S. BENTLEY

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

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

I, David J. Hollister, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bentley Systems, Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2021

/s/ DAVID J. HOLLISTER

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David J. Hollister

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the Quarterly Report of Bentley Systems, Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2021

/s/ GREGORY S. BENTLEY

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

/s/ DAVID J. HOLLISTER

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