John Endean
President

American Business Conference A Coalition of Growth Companies

March 21, 2019

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-26-18; Request for Comment on Earnings Releases and Quarterly Reports

Dear Mr. Fields:

The American Business Conference (ABC) is a Washington-based coalition of midsize growth companies founded in 1981 and chaired by Alfred P. West, Jr. Chairman and CEO of SEI Investments, Oaks, Pennsylvania.

This comment letter addresses the Commission's request, in the words of its release, for ways to "enhance, or at a minimum maintain, the investor protection attributes of periodic disclosures while reducing administrative and other burdens...associated with quarterly reporting."

To seek the views of members of a diverse business association on this matter is to run up against an interesting variant of Miles's Law: "where you stand depends upon where you sit." Weighing the costs versus the benefits of the current quarterly reporting regime can result in a different calculation whether, for example, you are sitting in the boardroom of a private

1828 L Street, NW Suite 280 Washington, DC 20036 (202) 822-9300 Fax (202) 467-4070
Website: www.americanbusinessconference.org

investment firm as opposed to, say, of a publicly traded manufacturing company.

Perhaps the most useful way ABC can respond to the Commission's request is to highlight the views of one of our members, Bentley Systems, a leading provider of software used for the design, construction, and operations of infrastructure. Based in Exton, Pennsylvania, Bentley employs more than 3,500 men and women and generates annual revenues of $700 million in 170 countries. Of special interest to the Commission, perhaps, is that since its inception in 1984, Bentley has remained privately- held and majority-owned by its five founding brothers.

For some time, the Commission has been very concerned, rightly we think, about the unwillingness of promising companies, of which Bentley is one, to enter the public markets.[1] In this regard, the views of Bentley regarding quarterly disclosure are pertinent.

Background Bentley has had a long track record of delivering consistent revenue growth, cash generation, and profitability. While this has been achieved without recourse to the public capital markets, the company has several times in its 35-year history examined conducting an initial public offering.

Most recently, four years ago, Bentley engaged underwriters and prepared a draft Form S-1 registration statement, confidentially submitted to the Securities and Exchange Commission in July of 2015 and announced in a press release pursuant to and in accordance with Rule 135 under the Securities Act of 1933.

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[1] See, *e.g.*, SEC Chairman Jay Clayton, *Remarks at the Economic Club of New York*, July 12, 2017. Chairman Clayton noted: "While there are many factors that drive the decision of whether to be a public company, increased disclosure and other burdens may render alternatives for raising capital, such as the private market, increasingly attractive to companies....And fewer small and medium-sized public companies may mean less liquid trading markets for those that remain public. **Regardless of the cause, the reduction in the number of U.S.-listed public companies is a serious issue....**[emphasis added]"

Despite the considerable time, effort and expense invested, after several rounds of SEC comments and Bentley responses, the company decided, on the verge of clearing SEC comments, not to see this IPO process to fruition. The proximate cause for the decision was the spike in volatility that first hit the public markets in August 2015, leading to unfavorable conditions for initial offerings and a dearth of such offerings for the remainder of the 2015 calendar year. Bentley, as a positive cash flow and financially secure company, also had the luxury of not needing to raise capital.

However, it was the visibility the company was afforded into the behavior of prospective analysts covering the company, and the impact of quarterly reporting requirements and associated pressures to issue earnings guidance with corresponding frequency, that led Bentley to suspend pursuit of an offering, rather than delay it several months while riding out the temporarily poor IPO market.

Bentley was prepared to meet public company reporting obligations and did not view the costs or other burdens of preparing quarterly Form 10-Qs as a major impediment to going public. Rather, it was the experience of "analyst day" and other interactions with financial analysts that convinced the company that the process of quarterly reporting and issuing earnings guidance would be a loud and distracting circus constantly demanding outsized management time and attention more valuably spent driving business growth. Bentley concluded that the quarterly cycle is so frequent and constant that it exacerbates the pressures on companies to accommodate the analyst game of estimates-to-the-penny, with each one trying to gain a minor insight and out-model and out-guess the next as they are incentivized to compete with one another in their various league tables.

From a policy perspective, Bentley's experience has led the company to believe that the frequency of quarterly reporting requires a focus by business managers on short-term results to the detriment of long-term performance. Remaining private has allowed the company to retain a greater focus on long-term considerations and allowed management decision-making to be based on the long-term profitability of the company and overall return for stockholders.

Theirs is not an argument for less transparency. A sound reporting regime should seek to maximize the value – not the quantity – of "the overall mix of available information" for investors. Bentley believes that semi-annual reporting achieves this objective better than the current regime. Semi-annual reporting should and would be fully informative for investors while at the same time creating an environment more relaxed about and immune to unproductive, short-term pressures from intermediaries.

In this regard, Bentley – and other companies at ABC – point to the experience of certain well-regulated, transparent and liquid foreign markets, such as the United Kingdom, where the reporting process fosters far less of a distracting carnival atmosphere. We concur with the view adopted in the UK in 2015 that "rigid quarterly reporting requirements can promote an excessively short-term focus by companies, investors and market intermediaries and impose unnecessary regulatory burdens on companies, without providing useful or meaningful information for investors."[2]

As a general principle, the SEC is tasked with "protecting investors, maintaining fair, orderly, and efficient markets, and promoting capital formation." We can state with high confidence that there would today be greater choice available to investors without the quarterly reporting model, as shares of Bentley Systems common stock would have been an incremental investment opportunity available in the marketplace for the last several years. Should reporting requirements be changed – even on an optional basis – to semi-annual, Bentley, and companies like it, would again be giving consideration to pursuing a public listing.

[2] http://www.wlrk.com/webdocs/wlrknew/AttorneyPubs/WLRK.24734.15.pdf

Thank you for your attention and please let me know if you require further information.

Sincerely,

John Endean

John Endean
President
American Business Conference

cc: The Honorable Jay Clayton
The Honorable Robert L. Jackson
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman

William Hinman
Division of Corporation Finance