

Procore Technologies, Inc.

Procore to Acquire Levelset Announcement

September 22, 2021

CORPORATE PARTICIPANTS

Matthew Puljiz, *Vice President, Investor Relations*

Tooey Courtemanche, *Founder, President and Chief Executive Officer*

Paul Lyandres, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Dylan for Bhavan Suri, *William Blair*

Brent Bracelin, *Piper Sandler*

Jason Celino, *KeyBanc Capital Markets*

Brent Thill, *Jefferies*

Saket Kalia, *Barclays*

Sterling Auty, *JPMorgan*

Brian Schwartz, *Oppenheimer*

PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the Procore to Acquire Levelset conference call.

At this time, all participants are in a listen-only mode. After the speakers' presentation there will be a question-and-answer session.

Please be advised that today's conference is being recorded.

If you require any further assistance, please press star, zero.

I would now like to hand the conference over to Matthew Puljiz. Thank you. Please go ahead.

Matthew Puljiz

Thanks, Erica. Good afternoon everyone. Thanks for joining us so suddenly. I'm Matthew Puljiz, VP of Investor Relations at Procore.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Today we announced our agreement to acquire Levelset. With me today to discuss the transaction are Tooey Courtemanche, Founder, President and CEO, and Paul Lyandres, CFO. Today's call is being recorded and a replay will be available following the conclusion of the call.

I would like to remind you that Procore is in its quiet period until after we post our Q3 results in early November. We will not be discussing general business performance at this time and our commentary will be limited to our Levelset announcement. We ask that you respect our quiet period policy and strictly limit your questions to the acquisition of Levelset.

Comments made on this call may include forward-looking statements regarding Procore's or Levelset's financial results, products, customer demand, operations, the impact of COVID-19 on either company's business and other matters, as well as statements regarding the ability of Procore and Levelset to complete the acquisition and receive the benefits anticipated from it. These statements are subject to risks, uncertainties and assumptions, and are based on Management's current expectations as of today, September 22, 2021. Procore undertakes no obligation to update any forward-looking statements to reflect new information or unanticipated events except as required by law. If this call is replayed or viewed after today, the information presented during the call may not contain current or accurate information. Therefore, these statements may not be relied upon as representing our views as of any subsequent date.

We may also refer to certain non-GAAP financial measures to provide additional information to investors.

With that, let me hand it over to Tooey.

Tooey Courtemanche

Thanks so much, Matt.

Thank you everyone for joining us on such short notice. Paul and I are excited to be in New Orleans today with the Levelset team.

Earlier today we announced that we reached a definitive agreement to acquire Levelset. This acquisition will be the largest in Procore history and uniquely enables us to make important headway in both our near-term and our long-term objectives. It brings us a strategic new product, complementary data and incredible talent. We expect to close this transaction in the fourth quarter of this year, and Paul is going to provide further details shortly.

In order to give you the clearest picture of our rationale, strategy and why we believe Levelset will be a key contributor to our long-term success, I want to take a step back and revisit Procore's mission and vision.

Our vision is to improve the lives of everyone in construction and we believe the best way to achieve our mission is by connecting everyone in construction on a global platform. Thanks to our discipline and focus on solving the industry's most foundational problems, we've made significant progress to date. We help owners, general contractors, and specialty contractors, bring stakeholders together to more effectively communicate, process workflows, share documentation and run analytics on their businesses. Today we have four product categories from preconstruction to financial management and 13 products from bidding all the way to project financials. In other words, by digitizing the industry and enabling stakeholders to better collaborate, Procore helps get the right people to the right job at the right time with the right labor and material so they complete their projects on time, on budget, and safely.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Bringing the industry together has also generated a tremendous amount of data. This data is a valuable asset to our customers as we can reflect it back to them in the form of powerful insights that help them run better businesses. This is important because the industry generally does not fully leverage the data it has access to.

This data also presents future business opportunities for Procore. Ultimately, our mission is to connect everyone who touches construction, and there's a lot more work to do to further achieve our vision and mission by leveraging this data set.

When I speak to our customers and other stakeholders in the industry, some of their biggest pain points ultimately come down to two things, managing risk and accelerating growth. Let me provide a little more color on what this means.

First, I'm going to talk about risk. There is risk everywhere in construction. This risk arises because stakeholders have minimal visibility into the reliability, quality, integrity and safety of one another, unless they've personally worked together before. So, let me be clear: no stakeholder is immune to this risk. When projects go sideways, everyone loses and it's very hard to tease apart who or what caused the problem. As a result, everyone essentially pays the penalties of the worst performing stakeholders because there's no good way to identify who has a better risk profile.

Other industries simply do not operate this way. The ability to inform and differentiate risk is very hard and expensive in construction, due to a lack of real-time data. We think that there is so much we can do in this area with our data to provide a better and broader view of risk. Insurance is just one example of this, where costs are typically several percentage points of the overall project value. With actual data, we think that carriers would be much better positioned to thoughtfully assess risk.

Second, let's talk about growth. Protecting the downside in construction is only half the battle; accelerating growth in the construction business is filled with challenges and constraints.

Some of you have heard me ask the rhetorical question, 'Who financed that skyscraper in San Francisco?' The answer I always give is, the subcontractors are the ones who did it, not just a large bank. This is because the subs show up on Day 1 with significant amounts of labor and materials and they don't get paid for 90-plus days. Getting paid is a painful and cumbersome process which I'm going to detail later. We think we can help with this as well.

We think that down the road we can speed up the time it takes to get them paid and help them more easily and more cost effectively obtain financing. This is because the underwriting risk doesn't lie with assessing that contractor, but also the project they are working on. In other words, if a subcontractor doesn't get paid for the work performed on a project, the buck ultimately stops with the owner of that project because the subcontractor can place a lien on that property.

Procore's platform, including our abundance of project and industry data, uniquely positions us to help solve this challenge in the future.

We have a long road ahead to solve these challenges but we have a lot of the right pieces in place to begin making progress. Which brings me to the next step in this journey which is Levelset, a step I am very excited about and that presents a tremendous opportunity for Procore and our customers.

Levelset is solving a key problem within construction by automating various compliance workflows which is key to helping our customers get paid in a timely manner, particularly related to liens and lien waivers that ultimately help stakeholders get paid faster. Let me share some details about how important lien management is for those of you who are not familiar.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

In the United States liens are foundational to these compliance workflows. Construction stakeholders spend considerable time and energy managing lien rights, from those downstream, looking to preserve their lien rights and having to comply with the nuances of lien laws that vary from state to state, to upstream stakeholders constantly procuring lien waivers at the point of payment to ensure their projects are free and clear.

Similar payment challenges and complexities also exist globally. We believe the risk and complexity of moving money between stakeholders traps trillions of dollars - with a T - in working capital annually. This causes cash stress to contractors, constrains their working capital, increases bonding expenses, while negatively impacting construction jobs.

Burdensome compliance workflows contribute to an average payment cycle greater than 90 days, which, by the way, is the slowest of all industries globally.

Levelset is a leader—a leading lien right management solution helping the industry manage these compliance workflows. They have been one of our at-marketplace partners since 2018. They have over 3,000 customers today, most of which are not yet Procore customers. I am very excited to bring them onboard. The team in incredible and they bring immense expertise in construction liens and risk management.

In the medium term, integrating Levelset lien management solution will enable Procore to manage complex compliance workflows. This solves a foundational pain point for all stakeholders in the payment process, which is an area customers have been asking us to solve for for years.

In the long term, this unlocks future growth opportunities for Procore including capitalizing on our data asset. Thanks to our unlimited user model, we now have more than 1.6 million construction professionals generating data in Procore. Today, most of the data is centered around what is happening on the project, like bidding, cost, safety, materials, and performance data. Levelset's lien and payment data provides a different perspective and data set including visibility into payment risk, likelihood of disputes and relationships between additional parties on a job including the suppliers. Our data sets are highly complementary and together can provide customers a more complete view of risk.

Lien management is also foundational to some of our long-term objectives that I mentioned earlier, like financing and eventually payments.

A lot of people tend to focus on payments but the reality is that making a payment is the final step in a highly complex workflow. Complexity here cannot be overstated. The challenge is not getting an owner to send cash to a contractor; the challenge is everything leading up to that and all of the risk that is involved.

We'll get to payments in due time. It's a massive undertaking, one that cannot be done well until we build out and streamline these compliance workflows.

Liens are an important component of doing just that. The work we're doing to solve these complex workflows along with streamlining of the lien processes will help our stakeholders get paid faster.

Now, let's pause and really detail how complicated payments in construction are how this process really works.

When a project starts, each specialty contractor typically fronts the capital for the labor and the materials. Then they arrive at the project along with dozens of other specialty contractors to start performing work. Typically, as the project progresses, they have to report on how much time their people were on site,

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

what work was performed, what the labor cost was for the work, and what the cost of the installed materials actually were. Then they are asked to show documentation such as photos, just to justify all of that. These steps are heavily supported by our existing product offering today.

Next, the contractors have to provide evidence of current insurance as well as provide a release of liability. This is where Levelset comes in; managing liens and issuing lien waivers is a key component to this.

Next, the general contractor reviews all of the work and documentation, and typically the two parties are not directionally aligned on the billing, and there is some back-and-forth, including some additional negotiation and markups. All of this back-and-forth can take weeks. This typically happens with dozens of specialty contractors on a project each and every month and is often done via email, Word documents, snail mail or fax, and a lot of physical paper. All of this just so people can get paid. This is why we believe this industry has trillions of dollars in trapped working capital annually and among the longest payment cycles in any industry. We have spent years improving all the processes and steps that go into the complex workflows and are still not done.

Others have tried to solve this problem before. They have often focused on the one piece of the process; they skipped ahead and went straight to releasing liability and moving the money. What we're doing is connecting everyone across these workflows and aligning with how people actually run their businesses.

Our mission is to connect everyone in construction on a global platform, and we mean everyone. Eventually, that means not just owners, general contractors and specialty contractors, but capital providers, insurance carriers, material and equipment suppliers, design teams and more.

Integrating Levelset onto the Procore platform will advance our long-term mission while providing short-term value to our customers.

Now I'd like to hand it over to Paul for more details.

Paul Lyandres

Thanks, Tooey.

As mentioned in the press release we issued today, we have agreed to acquire Levelset for approximately $500 million with a consideration mix of 85% cash and 15% stock. We expect the transaction to close during Q4 of this fiscal year. Accordingly, we do not anticipate the financial contribution to be significant to our Fiscal 2021 results. However, we will update you on our expected closing timeline during our Q3 earnings call.

Similar to how Tooey shared the business and product strategy, I'd like to reiterate our growth strategies. We believe we have three primary organic growth drivers. First, new customers. Just within the countries we focus on today, there is a tremendous number of new customers to onboard. We believe our logo share today is below 5% and see this as a very attractive opportunity.

Second, expansion. Forty-three percent of our customers use four products out of the 13 total. Many of the 13 products are relatively new, launching in the past few years, and we believe there is continued opportunity to solve more problems for our customers beyond the 13 products we have today. Additionally, we expect our customers' construction volumes to grow and that we will benefit from their continued success.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

The third is international. Much of the $10-plus trillion global construction industry is outside of the U.S. and there are many more new countries we hope to expand into over time. International represented 14% of total revenue in Q2 2021 and we expect it will be an accelerant to overall growth.

While we are bullish on these organic drivers, we do believe that thoughtful M&A can be extremely strategic and complementary to our vision of improving the lives of everyone in construction. Therefore, I'd like to share a bit more about how we think about M&A.

Ultimately, M&A is about accelerating our long-term business goals, to better serve our customers. These goals are typically expanding our products and solutions to solve additional challenges for the construction industry. As you heard from Tooey, we have a roadmap on where we intend to take the business to further drive our vision and mission. Beyond this roadmap, when evaluating M&A, we also spend a considerable amount of energy ensuring the company is culturally aligned, provides unique expertise, the technology is up to our standards, and that the economics of the overall transaction align with our capital allocation philosophy.

Therefore, when we have historically acquired companies, we have primarily pursued small tuck-in opportunities within our at-marketplace that are complementary to our current capabilities. Our at-marketplace presents industry specific solutions where we have a level of comfort with the technology, the strengths of the team and the traction within mutual customers. We still believe that this will be our primary avenue when it comes to M&A, and Levelset is an excellent example of this, albeit not a tuck-in.

Now, I'd like to briefly expand on our integration plans for Levelset. We believe Levelset's lien management product is a common pain point for the industry and this technology will likely be the first integration point, and initially be integrated with our invoicing offering when we are ready to take that step. The lien management product is their primary revenue driver today and we see potential synergies across our customer base once we have closed the acquisition and completed the necessary development work over the course of the next year.

Given how unique of an asset this is, and how many new bets Levelset has made that are in the discovery phase, we generally intend to let them operate as is, in the near term. This will allow us to test and experiment with their new initiatives while we remain focused on our roadmap.

To reiterate Tooey's comments on the volume and degree of complexity we are navigating to achieve our long-term objectives, the ultimate goal of helping the industry more efficiently manage risk and accelerate growth will be a long journey. We expect this aspect of the integration to be measured in years and not quarters.

Thank you again for attending this session on such short notice. We look forward to updating you on our progress over the coming quarters, and with that I'd like to ask the Operator to begin taking questions.

Operator

Your first question comes from the line of Bhavan Suri with William Blair.

Dylan

Hey guys, this is Dylan actually on for Bevan. I appreciate you taking the call. Just a quick question, too.

I think we've talked about the opportunity for insurance, payments and then obviously cashflow management, it seems like an initial step in that direction. You've also announced a handful of partnerships recently. I guess as we think about that opportunity more holistically, over the longer term

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

from the contribution standpoint, is this an acceleration to where it could be more in the near-term kind of roadmap from a contribution standpoint? I think maybe initially it was kind of a three- to five-year plan. I guess how are you guys thinking of that, the acquisition today kind of accelerating or potentially accelerating that plan? Thank you.

Tooey Courtemanche

Sure. Thank you. Yes, absolutely. This does fit in with what we've talked about in the past.

I think the most important thing to think about is what we're trying to tackle here is highly complex and so it doesn't accelerate the plan dramatically. In fact, Paul and I like to joke that this accelerates our timeline from years to years, and I don't mean to be flippant about this. I just mean what we're solving here is highly complex.

Across these workflows from just trying to get contracts together and change orders and invoices and budgets and billings to the actual compliance, which is what the lien management process is, it's just part of it. So, it is important to move our strategy forward, but it is definitely nothing that we are putting into any near-term forecast. But it is something that's very exciting to us because it's a very difficult, complex problem that they solve and they solve it really well.

Paul Lyandres

Yes. I think just to reiterate, when you think about the conversations here around risk, around growth opportunities, around payments, these are things that we want to reiterate again are not in the model, are not in that kind of short-term/medium-term horizon, and that as we think about the drivers that are pushing revenue today, it remains the things that I talked about in terms of new customer acquisition, expansion, international growth, and that these really are continued forward progress towards that longer-term vision and mission.

Dylan

Great. Thank you, guys. Appreciate it. Exciting, and then obviously look forward to learning more here in the coming weeks and months. Thank you again.

Tooey Courtemanche

Thank you.

Paul Lyandres

Thanks.

Operator

Your next question is from the line of Brent Bracelin with Piper Sandler.

Brent Bracelin

Good afternoon. This acquisition sounds really exciting here.

A couple of questions for me. Tooey, we'll start with you here. You surprise me. Your first acquisition in the payments realm turns out to be actually a compliance software company. I totally get the idea you

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

have to digitize and automate the process first before you digitize the payment part of the world. My question here is what about the collaborators? I think 60% of the base of Procore users are collaborators, they're using Procore software for free. Does this acquisition help you now provide a product to monetize some of those collaborators that are specialty contractors that have lien management problems? Just trying to think through the opportunity to monetize that part of the base with this acquisition.

Tooey Courtemanche

Well, Brent, yes. Didn't mean to surprise you but yes, there is a plan here.

First and foremost, yes, we have to solve for this complexity around lien management and all of the things that go into just making sure that people can get paid, number one. So yes, this is a big deal and we are very excited about that portion of it.

Does it help us monetize the subcontractors? In a lot of ways we already are providing a lot of value to the subcontractor community, so this is just one more value proposition for them, to be excited and to engage Procore.

Everyone needs to get paid in construction. Every subcontractor, every general contractor needs to get paid. Every dollar that flows through construction in the U.S. goes through—pretty much every dollar I should say goes through this kind of a process. We think it's a compelling reason for a lot of folks that we talk to everyday to be excited about our platform.

Brent Bracelin

Perfect. Then Paul, for you, could you just drill down a little more into the Levelset revenue model, specifically size of the business today, and then maybe could you talk a little bit about the mix of compliance lien filing revenue versus subscription or payment? Outside looking in it feels more like a Avalara compliance filing reporting model, but would love—any color there would be helpful.

Paul Lyandres

Yes. I'm happy to share some color there.

We will be diving in more into how to think about the contribution, the revenue impact of Levelset in our next earnings call, but to give you all a sense, Levelset will end the year in the low eight-figure revenue count. The vast majority of that revenue comes from this lien management product. It is largely a—mostly a subscription revenue product. They do have some components that are transactional and (inaudible), but in general you all should think about the revenue contribution in the short term that comes from this acquisition largely coming from that liens product. That is a subscription product similar to how you would think about managing all the complexity of tax; I think it's a good analogy there.

They are working on a number of what we call bets that are in, as I said earlier, in the discovery phase. So, while you will be able to see some of those bets in their marketing materials, the reality is those are very minimal impact to the revenue itself and those aren't things that should be factored into how we think about the revenue that will be contributed from this acquisition.

Brent Bracelin

Last one for me. Employee headcount grew 59% year-over-year, it looks like, to a little over 300. Is that a fair proxy for their revenue growth? Why or why not?

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Paul Lyandres

I think when you think about the revenue growth you should think about it being marginally faster than ours. The headcount would be a bit deceiving in the same sense that COVID had an impact on all of our industries. I think COVID did have an impact on how they thought about hiring for a period of time in 2020 and so that compare is probably not quite apples-to-apples in how you should think about their growth.

Brent Bracelin

Helpful color. Exciting stuff here, guys. Thanks.

Tooey Courtemanche

Thanks, Brent.

Paul Lyandres

Thank you.

Operator

Your next question comes from the line of Jason Celino with KeyBanc Capital Markets.

Jason Celino

Great, thank you. Just a couple from me, and good afternoon, guys.

Maybe first one…

Tooey Courtemanche

Hey, Jason.

Jason Celino

When we think about how contractors manage liens today, it sounds like a lot of it is done either paper-based or Excel-based or whatnot, but do contractors generally have specific departments just for managing liens? How does it work?

Tooey Courtemanche

Yes. The short answer is yes. I think when you start to—it depends on the scale of the company. In a lot of ways contractors in their kind of back office are forced to wear many different hats, and in this case typically I would—if you're in the more midmarket size, this is going to be someone or most people's job on top of everything else they do. It's incredibly complicated, going back to kind of tax analogy, having to understand the rules within the different states, the different districts that you operate it. It is something that ultimately it gets dropped on the plate of someone within the finance org, typically, of a back office contractor, but I think part of that is the problem. That today it's something that is really complicated, hard to manage, and it's asked to be managed on top of the day job by folks who just aren't experts in it.

Paul Lyandres

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

I'd also add that the complexity is really part of it, but the reality is the slowness of payment is the thing that our customers and the industry is talking about, is the manual processes alone, just sending things through the mail, prevents them from getting the capital that they need to actually take on their next project or hire their next employee. Just the focus should—though it's complicated, the focus really is on moving capital faster.

Jason Celino

Okay, excellent.

Then maybe one question on customer profile. It sounds like the product is mainly targeted towards subcontractors and specialty contractors, but the 3,000-plus customers that they have today, how does that split look between subs, GCs and maybe even owners?

Tooey Courtemanche

I would actually tell you interestingly enough one of the stakeholders that is most impacted by this lead process is the supplier. So, if you go through their customer base, what you will find is that the majority of their customers are actually either suppliers or general contractors—sorry, subcontractors. And that similarly to the problems that are solved by Procore and managing these workflows, all these different stakeholders have that problem. I tell you, it's a pretty healthy mix across suppliers, specialty contractors. Don't get me wrong, they have a pretty healthy general contractor customer base as well.

Paul Lyandres

And Jason, on the stack, from vendor to subcontractor to GC to owner, every one of those positions has a correlating problem. The person that's downstream has to manage their liens in order to maintain their lien rights, and the person above them has to manage the lien in order to effectively release payment. So, the pain is kind of felt for every stakeholder on both ends.

Jason Celino

Excellent. Okay. Thanks, guys. That's it for me.

Tooey Courtemanche

Okay.

Paul Lyandres

Thanks, Jason.

Operator

Your next question comes from the line of Brent Thill with Jefferies.

Male Speaker

This is (inaudible) on for Brent Thill. Thank you for taking my question and congrats on the acquisition.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Wanted to start out with Tooey. Wanted to ask a quick one, a follow-up on the previous question on the customer profile. Could you help us think about, it sounds like there is minimal overlap in terms of the customers. Could you talk a little bit about the cross-sell opportunity here with Levelset?

Tooey Courtemanche

Absolutely, yes.

You have to imagine even in the United States there are tens, if not hundreds of thousands of subcontractors out there. There's a very—the TAM is large as well as the number of logos. We obviously provide solutions to enterprise, midmarket and the SMB, so we believe that a lot of the folks they are selling to today that are subcontractors are great opportunities for us to pick up the phone and talk to them. So yes, we think that there is a great opportunity for cross-sell with that subset of their customers.

Paul Lyandres

Yes. We also believe this is one of those areas where combining the problems that they solve with more of the workflow as Tooey had talked, particularly with our invoicing solution, will take an opportunity that we each have independently and just make it more powerful and more impactful to the customer. As we had said there is certainly development work to be done and go-to-market to be done that will take time, but we do believe that in the kind of more short-, medium term that there is significant opportunity to bring the lien management product into our customer base and for us to bring some of our multiple 13 products into Levelset's customers.

Tooey Courtemanche

And I should be clear, with our 10,000-plus customers, this has been—solving this problem has been one of their big requests for a long period of time, so it's going to be welcome news to our customer base.

Male Speaker

Awesome, that's great.

Maybe a quick follow-up for Paul there. Could you talk a little bit—obviously this is the largest acquisition that you've done to date. Could you talk a little bit about the plans for integration? And going forward, what should we expect in terms of cadence? Will it be acquisitions of this size or more smaller in terms of tuck-ins? Thank you.

Paul Lyandres

As I said earlier, we do believe that in a lot of ways there is work to be done in the short term in bringing together their lien management product with our invoicing solution, but we are going to let them operate as is for the foreseeable future as we do that work and let them continue to grow their lien management product. We think that over the more medium, long-term horizon is where we see some of these opportunities around growth and risk start to come to fruition, but we will keep you all posted as we go through the integration process.

In terms of what to expect going forward, I think it's important to note that we believe that our organic growth opportunities will continue to drive the business for a long time, and that ultimately when we think about M&A it is very much about finding products or teams that push the business forward, that push the strategy forward, and that in most cases historically and likely go-forward, those are going to be small tuck-in acquisitions and that where there is an opportunity to do something large, it's going to be fewer

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

and farther between, but again, something that when we think about M&A it's all going to come back to how do we push the vision and mission forward? How are we thoughtful about the cultures? The people? The product? And being thoughtful to how we apply the capital. But at the end of the day, M&A is going to be something that we do pursue and it will be more likely smaller tuck-in.

Male Speaker

Great. Thank you.

Tooey Courtemanche

Thank you.

Operator

Your next question comes from the line of Saket Kalia with Barclays.

Saket Kalia

Okay, great. Hey guys, thanks for taking my questions here and congrats on the announcement.

Tooey Courtemanche

Thank you.

Saket Kalia

Tooey, maybe just to start with you, understanding that this is a stepping stone to sort of a full-blown kind of payment solution, I was just wondering if we maybe zoom out, how do you kind of think about the competitive landscape for payments overall? And how do you feel like Levelset can help you build a kind of an in-depth solution that's going to be different competitively?

Tooey Courtemanche

Great question, and I love to talk about our products so I definitely will talk about the strategy.

Again, I'll say it for the millionth time because this is what I love to say. Our business and our mission is to connect everyone on a global platform. I think that alone sets us apart from most other folks' strategy, and we are also—we solving for these very long complex workflows because we actually start from the vantage point of how do our customers actually run their business, not what point solutions are in marketplace that we can compete with. So, we have a unique approach which I think is the right approach to solving for these complex business processes.

Over time I think this is just one of those critical pieces that will enable us to not only manage the complexity of payments from the estimate all the way through to the final payment on the job and moving money and all the stuff that we've ever talked about, but it's going to do so in a way that's going to allow all the different stakeholders to interact with one another on a single platform and it's really going to solve for those massive problems.

I cannot overstate the challenge that the industry has on getting paid and the fact that cashflow is such a problem. If we can do all of this stuff to compress the time in which it takes to get from money to transfer

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

from an owner to a GC to a sub to a supplier, we will have changed the industry dramatically. I just don't see anybody else trying to do that.

Saket Kalia

That's helpful.

Paul, maybe for you, you may not be able to talk about this, but with Levelset being part of the Procore marketplace for such a long time, can you just talk about whether there was sort of any revenue share that you sort of had in place before and of course as the relationship there changes, right, from kind of marketplace to sort of joint partners, how does that maybe impact sort of the revenue contribution kind of after the close? Does that make sense?

Paul Lyandres

Yes. I think it's worth noting that when we think about our marketplace and our partnerships in the ecosystem, in the vast majority of cases—almost all of them—there is not a revenue share. These are opportunities for us to tie our customers' solutions together and really drive value for them. When we think about the marketplace, the ecosystem, this goes back to connecting everyone, improving the lives of everyone. That is how we think about the ecosystem. That was true with Levelset and so in that sense Levelset has been a strategic partner for us in the ecosystem because they solve a meaningful pain point for our customers, and that this is another part of connecting their workflows and those stakeholders, but that from a contribution or a rev share that isn't something that was part of that at-marketplace relationship.

Saket Kalia

Got it. (Inaudible).

Tooey Courtemanche

Thanks, Saket.

Operator

Your next question comes from the line of Sterling Auty with JPMorgan.

Sterling Auty

Yes, thanks. Hi guys. Just want to get clarity on a few things that were said.

It sounds like there's over 300 employees but you said low eight-figure revenue, which most of the people texting me, emailing me are taking away $10 million to $20 million, and that sounds low for a company that has 300 employees. Most people would expect that revenue run rate to be north of $50 million. Is there something that is just massively manual to what's delivering their solution, or what's the kind of—help us clarify that.

Tooey Courtemanche

No. I think it's important to understand that one of the things that Levelset has focused on is really on ensuring that they are thoughtful to how they approach data and to how they map out the industry, how they think about assessing risk, where they place their bets in the future, and so they've done a lot of

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

work to invest in their future opportunity and that's where we believe we've always been very aligned with Scott and his vision in that the goal is figuring out how do we move forward the industry and investing in that future. It's also important to note that they do have a considerable amount of their development arm is located in Cairo and Egypt and that is part of a way to think about kind of cost and cost per head.

Sterling Auty

Okay. Then on the revenue you mentioned that lien management is the big revenue generator. It's primarily subscription. But what's that subscription based on? Is it something volume oriented the way that your business is, or is it just kind of directly based on the headcount or the number of people that are kind of dealing with the collections side?

Tooey Courtemanche

It's project-based. It's a similar unit of metric, just not volume but a different measure for the customers and we think it's something that makes sense and something that we don't plan to touch in the immediate future but something that as we think through the integration and the joint go-to-markets in the future might be something that evolves.

Sterling Auty

Got it. Thank you.

Paul Lyandres

Thanks, Sterling.

Operator

Your next question comes from the line of Brian Schwartz with Oppenheimer.

Brian Schwartz

Yes, hi. Thanks for taking my question. Congratulations, Paul and Tooey, on the deal.

I just have I guess two questions, but it's regarding one functionality and that's the lien waiver release functionality. I just wanted to ask you how important is that functionality in the decision making process? Then the second question I just wanted to ask is, with Levelset, did they partner for that functionality or is that something that is maybe on the roadmap that could be built out in the future? Thanks.

Tooey Courtemanche

Let me make sure I understand the question. If I understand this correctly, you're asking about the lien release process and if they manage that process or not, and they do manage that process today. They do not outsource that to any third party; that is all their in-house IP.

Does that answer your question? I wanted to make sure I was catching you.

Brian Schwartz

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Yes. I just wanted to make sure. So they have the functionality for the lien waiver release that gets filed in the courts, and I just wasn't sure if that was like a key functionality as part of the process or they're more interested in really having all this workflow and management capabilities that they've already built out.

Tooey Courtemanche

I think the lien waiver release process is part of these complex workflows. I guess the takeaway on this one is that these processes are highly complicated and they're hard to convey, but I will say that Levelset does the management of origination and settlement of liens very, very well, and that's why we made this acquisition.

Paul Lyandres

Yes, I think the reason we actually don't just talk about lien release, Brian, is because as much as that's something that is a part of that process, that there's a lot more that goes into it from notices, preliminary notices, intent to lien, the lien itself and the waiver, and all of these documents and processes are just part of the lien management component of which the waiver, the release of the waiver is one component. They solve all of these today.

Brian Schwartz

That's super helpful. Yes, you answered the question. I was just trying to figure out if that was a key part of the decision-making process, but it sounds like the workflow and all the other functionality is important. Thank you very much.

Tooey Courtemanche

Thank you.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. Thank you for your participation. You may now disconnect.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com