TRANSCRIPT

09 - 20 - 2023

Procore

Investor Day 2023

TOTAL PAGES: 52

Procore

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PRESENTATION:

Vivian Wu^ Good morning.

Matthew Puljiz^ Got very quiet, very quickly.

Welcome to Groundbreak. Welcome to Investor Day. Thanks for being here. And thank you for those on the webcast.

I'm Matthew Puljiz, VP of Finance.

Vivian Wu^ And I'm Vivian Wu, Senior Manager of Investor Relations.

Matthew Puljiz^ Awesome. So let's go to the agenda.

Last year -- actually, it wasn't even last year. It was really just 10 months ago, we did our very first Investor Day. We covered everything, the history of the company, how we started, how we involved. We provided tremendous amount of disclosures around our business mix at that time.

All of that content still holds today. The only thing that's going to be the same this year is this beautiful jacket. Everything else is going to be different today, all right?

Today is going to be much more of a 201. So last year's 101 is still the best content we've had around getting a brand-new analyst, a brand-new investor caught up on our story.

Today will be more deep dives and there'll be a series of them. These are deep dives that we hand pick based on all the questions many of you asked us that we wanted to go a little bit deeper on the record on. I'm going to walk you through each one real quick, all right?

The first one will be led by Tooey. And we're basically going to cover what exactly the construction industry is comprised of what that mix looks like, how that mix has behaved in the past, what our penetration rates are, where Procore plays, all that good stuff.

This content generally is not unique to Procore. Our competitors can cover it as well. But if you're going to know our story, you need to know the industry we serve well first. And so that's why we wanted to start here today.

The second section is going to be our longest. It's going to be about our technology essentially. We're going to cover our platform, why it's built the way it is. We're going to cover our products and the interconnected nature of those products and why that's really important in construction.

And we're also going to talk about Procore Pay, something many of you have been asking us about for a couple of years now. So we're excited about it. We hope you are, too.

But you also need to be measured. There are some considerations you need to know before you get too far ahead of us on that. So we'll cover that as well.

The third section will be about fintech. And fintech at Procore is not Procore Pay, believe it or not. It's two areas -- working capital and risk -- which we may have heard us refer to as material financing and insurance.

So our old friend, Paul, we're making [him] come back up. Hopefully, you can find him at the break. And he's going to give you essentially a little bit of a progress report on how he's been doing there and what's been going on in the last several months.

The last section will be Howard, our Chief Financial Officer. He's going to share with you his priorities, his philosophies and how he intends to apply those on how we want to manage the business in different economic cycles.

And the intent here is so you understand how we're going to run this business so there are no surprises.

We'll have a short break and then a long Q&A.

All right? Sound good?

Let's get to the good stuff.

Vivian Wu^ All right. I get to talk to you about what you all came here to see, which is our safe harbor. Couple of quick disclosures. Today's presentation includes forward-looking statements, which are subject to risks and uncertainties. Such statements are based on management's expectations as of today, September 20, 2023. We undertake no obligation to update such statements unless required by law, and you can find a reconciliation of non-GAAP to GAAP measures in the appendix of the presentation, which will be posted shortly after the event.

All right. Now onto the good stuff. With that, please give a very warm welcome to our Founder and CEO, Tooey Courtemanche.

Tooey Courtemanche^ Thank you. Matt, Vivian. Thank you. Got the clicker? Right on, well, how is everybody doing? It's kind of a quiet crowd this morning. I don't know. Did we not serve you enough coffee? I don't know.

Well, look, this is there's a lot of gratitude here for me for you all joining us at Groundbreak. This is exciting, not only that we get a [new] Investor Day together, but that you all get to see the best of what Procore is, which is not hearing it from us, but hearing it from our customers -- which hopefully, how many people here have had a customer conversation so far? I hope the rest of you are going to get a chance to get out there and talk to them all because it's literally one of the most energizing things that I do. And so hopefully you all will get something out of it, too.

So by the way, our vision is to improve the lives of everyone in construction. And I think you will see a lot of smiles out there when you talk about Procore. So Hopefully, we're well on our way on that journey. But as Matt and Vivian said, today is going to be more of like a teach-in. I'm not going to talk a lot about Procore, which makes me sad. I'm going to talk about the industry first, and then I'm going to finish up with a little bit about how Procore benefits from all of these dynamics.

But to remind everybody, our mission is to connect everybody in construction on a global platform. And I think you all can agree that this industry is both dynamic and complex. So today, we're going to do a deep dive and do what makes this industry unique and why Procore is uniquely positioned to win in this space.

All right. So many of you have seen this slide before. This is just the superscale slide. But this industry is a very, very large global industry. I think all of you know that. It's 13% of the GDP, 7% of the global workforce. How many people here know somebody that works in construction? Is there any -- I should do it the other way. How many people here don't know somebody who works in construction? Right. Okay. So I mean it's big, right? And so not only is it big, but it's growing, as you see from the $11 trillion to $15 trillion from 2020 to 2030. And it's big and it's growing.

And one of our favorite kind of ways to conceptualize what this growth is, is the UN put out a study, which said that we need to build in the next 40 years, 2.5 trillion square feet of new construction. That's T with the trillion by the way, [you will] in order to keep up with the global demand. And so that's a really hard concept to getting in your head, what's 2.5 trillion square feet look like? Well, this is a good way to think about it. It's like building a city the size of Manhattan every single month for the next 40 years. So I hope that helps create the scale.

So construction does continue to grow but even through economic times of economic change. So you can see here that the graph generally goes up into the right. This is our global construction spend over time. Even through the dot-com bubble and the global financial crisis as well as COVID, the industry grew.

Now this is the overall global construction spend. So it's made up of so many subsectors and so many [geos] that it's a relatively stable line. But most of Procore's business today is in the U.S. So we're going to drill in on that and take a look at this.

So the industry behaves differently during [eats] recession. During the global financial crisis, you'll see that there was a lot of volatility added to the market, but most of that was single-family homes. And that scenario, where Procore has very little exposure and we really don't play. What we want you to take away from this slide is that the length of the recession as matters as much as the depth of the recession.

So the average length of a recession is 9 months long, and our average customers backlogs are 2 to 3 years. By the way, I was -- we had our Chairman's dinner the other night, and I was talking to all of our big customers. Some of them -- some folks are telling me that they had much greater than 3 years in backlog. In fact, they're returning work away. So the takeaway on this one is that you could theoretically stack a couple of recessions up back to back and our customers would still have enough work to work their way through it.

So this line shows the aggregate spend in the U.S., but it's made up of a ton of sectors and subsectors, the industry is really complex. And they all behave differently at different times. So let's dig in one layer deeper.

This is kind of my favor slide because this is the simplest way to think about the construction economy. So this is the way the U.S. Census Bureau looks at the industry. It's residential and it's nonresidential. It doesn't get any more simple than that. And fortuitously enough, it's a 50-50 split approximately. So I'm going to kind of walk you through what that is.

This is talking about in 2022. Construction put in place in the U.S. was $1.8 trillion, half residential, half nonresidential, right? Let me walk you through what makes up this -- the residential and nonresidential. So as you can see on the slide on the left, that is the residential half, mostly made up of single-family home and home improvement with the remainder being multifamily. So that's a pretty easy area to kind of get your head around.

Now on the nonresidential side, it's incredibly diverse. And not one of those sectors has more than 7% of the overall pie. And by the way, these are just the big categories, but each one of these categories can be broken down even further. So like, for instance, you see commercial up there at 7%. Well, commercial actually has a whole bunch of subsectors in it. So from farming to automotive, to warehousing to food and beverage. And yes, I did say farming, when I was telling someone this the other day, they're like farming is in commercial construction. And like, yes, not only is forming in commercial construction, believe it or not, there's a whole subcategory in there for smoke houses and for Barnes. So when you all ask or anybody asks us, how is the commercial construction industry doing? It's kind of like asking like how is the NFL doing, right? Like there -- every single one of those sectors is doing something different at any given time, and it really is a very kind of a challenging question to answer.

So another thing that's going to -- I'm going to show you is it's really interesting to see how little the industry the mix changed through COVID. So we have this once-in-a-lifetime global pandemic, and the mix significant didn't change much at all. So you'll see that the single-family homes and home improvements grew 3 and 5 points, respectively. So that kind of makes sense because we know that, that was what was going on. But really, the interesting fact is that no other sector moved more than 1 or 2 points. And here's the one that was really going to surprise you, office only decreased by one percentage point.

I was talking to JT Magen, who's one of our customers that, if any one of you did the 1 Wall Street tour with us last year, they were telling me the other night, their fastest-growing and their biggest portion of their business today is office retrofits. So it goes completely against what -- whatever you read in the newspapers is not necessarily what the industry is doing. As a matter of fact, they said that there are more law firms and tech companies building out spaces now than they've ever seen before. So all -- by the way, if you're interested why, it's all because these companies are struggling to figure out ways to get their employees to return to work and so they're retrofitting offices.

So we're often asked which one of these sectors is relevant to Procore. And it's really hard to break down our business by these business mixes. But we did kind of take this chart and we modified it a little bit. What we did is we highlighted the sectors where Procore's has its primary focused areas in orange. Those are our colors, so orange is appropriate. I want to make sure that I give you guys the disclaimer. This is not our revenue mix. So for those of you taking a picture, this is not a picture of our revenue mix. This is the way the U.S. Census Bureau looks at the overall industry. So you can see on the residential side that our primary focus areas are on the multifamily sector, and we have very, very minimal exposure in the other two sectors, the single-family home and the home improvement.

And on the nonresidential side, you can see that we play pretty much everywhere. Many of our customers are not just working in one of these sectors. In fact, JT Magen, the company I'm talking about that does offices, does a whole slew of other kind of projects out there. So there's -- these people run diverse portfolios.

So as a matter of fact, there was a customer where we met with in Canada recently who not only builds nuclear power plants, but they build single-family homes as well. So like you can't really group these folks into a single sector where they play.

So what we've done now is I'm going to drill in on the 6 largest sectors on the nonresidential side and show you what I think is really interesting. First and foremost, not one of these subsectors behaves the same. There's a lot of zigging and zagging on these slides. And that's really the point is that when demand in one sector wanes, the -- it is growing in another. So there's always some ups and there's always some downs. But our customers do flow to where the hot sectors are.

I was talking to a friend of mine that runs Mortenson construction the other night, and I was talking to him about this. And he said, he goes, when you say that, you really want to make sure that you illustrate the fact that we're not -- the industry doesn't chase the hot sectors. The industry has, in a lot of cases, these companies will have a very strategic plan over multiple years that will include creating a very diverse portfolio in areas where they believe strength is going to be. So I don't want it to be the thought that these people are just chasing where the money is, they're actually -- most of these big companies have very long strategic plans.

Let's look at what the typical project portfolio looks like for our customers. So you can see here, we have general contractors, specialty contractors and our owners sectors there. If you just focus on the general contractor and the specialty contractor, you're going to see that they run a very diverse portfolio, again, moving to where the work is.

Now the individual owners themselves don't really run diverse portfolios because they're doing what they're doing. But when you look at the aggregate basket of all of our customers at Procore, it is extremely diverse. Also important to note that there isn't a universal categorization system for project types. So for instance, you can call a project, a commercial project, a health care project or an infrastructure project and you would be right on all of them, depending on who you're talking to, who owns the facility, who finance the facility. So unfortunately, for all of us, there is no universal standard. And that is primarily why it's so hard for us to break down our business mix by sector. What we want you all to take away is that it's really the aggregate amount of work that matters more than any particular type of work that's being performed.

Okay. So these are just a few examples of our customers, but there's a lot of external data that shows that this is true. So every year, fortunately for us, the top 250 global general contractors report their project mix to the E&R organization. So this gives us a really good view. And as you can see here, they're all very well diversified portfolios across many sectors. So far, I've talked about the U.S., which is where we primarily play, but I want to also point out that our international markets are not much different. So each of these countries has their own methodology for how they classify the construction industry. Again, there is no universal classification system. But as you can see, all of these countries have diverse markets across all of these different sectors. So Procore is clearly playing in a massive, massive global opportunity. And we're still in the early innings of pursuing this amazing business opportunity.

Okay. Last year, we showed you this slide. So some of you may have seen this before. This is our logo and our volume penetration slide. We've refreshed it now with some new third-party data. And we -- the market size has changed, but Procore's logo and volume capture has remained virtually the same. So you can see in the U.S., it's still very early days, and it's even earlier when you look at our international markets. Also last year, we focused -- we had a whole discussion around the Procore penetration in the U.S. general contractors by volume. This year, we're going to show you a little bit different information.

Remember the orange pie. Those are our primary focus areas. So when we look at the industry, our volume capture through that lens of just the orange areas, we are still less than 22% penetrated by volume there.

So I want to now take a step back and kind of recap some of the key takeaways. So massive market that does grow through cycles. And that's -- the key word there is grow. The economy goes up and down. But as you zoom out and you look, the construction economy continues to grow up and to the right. We do not look at the industry by subsector, what matters most to Procore is the amount of volume that a customer or the industry is running. And when we look at the overall health of the industry, we look at it through that same lens. Now we're also in the early innings, as I just said, for this large global opportunity. So even when the aggregate volume fluctuates up and down, we still can grow because we are so underpenetrated in the early days.

So as Matt likes to say, this concludes the Professor Tooey portion of the show. The next part is the part I hope that you all are going to get fired up about because what this doesn't tell you is how Procore is uniquely positioned to capitalize on these opportunities. So this is going to be an example, I'm going to walk you through, but the key takeaway for this is that construction drives powerful network effects that are uniquely positioned to -- for Procore to capture because of our unlimited user model and our connected platform. Those two pieces together with the network effect puts Procore in a position where we can really win.

I also want to remind everybody about the dynamics of construction. I know you all know this, but I want to just remind you that construction is actually relatively simple, if you think about it. Everything that happens in construction happens at a project level. It doesn't matter who you are. If you're involved in some form of construction, your [axe] or your supplies or your expertise is being focused on a project or multiple projects at a time. On a project, you have all these different folks that are working together. Arguably, the most influential folks on the project are the general contractors. So think of them as the conductors of the orchestra. They are the central access point to all information flow on a project. And they are the -- also give us the ability to gain access to other folks. So I'm going to walk you through this example.

Vertigo construction, which is also the fictitious company that we made up for yesterday's keynote, is a fictitious general contractor in the U.S. running hundreds of projects across every region in the U.S. And what you'll notice here is that not every one of the collaborators on a project is a Procore customer. So every collaborator on a Procore project is a potential customer. And those potential customers, then -- when they become a customer can invite as many people to the platform as they want, and those folks can become potential customers. And that's the beauty of our unlimited user model. That's the power of our unlimited user model. So every project is a network that makes the Procore flywheel spin faster, which ultimately drives our future growth. And this is the part that I get so excited about is we are really, really well positioned to capture this demand. So that's the part I want you all to remember of the whole presentation is that these powerful network effects are really positioning ProCore for a lot of future success.

Okay. So with that, I'm going to -- in a moment, I want to invite Steve Davis up on stage. But before I do, I just want to say that Steve has been with Procore for over a year now and has turned out to be one of the most amazing partners I could have found. He is driving so much change and elevating our ability to do the things that we need to do to be successful. He has a tremendous amount of experience in technology and it's just been a great partner.

So with that, let's have Steve come up and welcome to stage.

Steve Davis^ Thanks a lot Tooey. All right. Green button. Good morning, everyone. It's hard to believe that it was a year ago that I joined. I was actually in this conference right here. I sat in the back and listened to the same pitch. And I was just simply amazed on the opportunity ahead and to confirm kind of everything that I already knew in the months ahead, talking to Tooey, talking to the Board members about where Procore was going.

We've been super busy over the past year, and I'm really excited to share a lot of that with you. Some of you have seen what we've talked about yesterday in the keynote, just enormous amount of excitement. But I thought I'd share a little bit about my background because I think it's really relevant to what I saw in an opportunity here and where we're going over the next few years.

I've spent almost 3 decades in technology, starting out as a software engineer with literally about 75% in senior leadership roles, half of that time building one of the biggest marketplaces in network effects with technology. And that's with the company that we started called HomeAway. That turned into a company that many of you have used now called Vrbo. That led to a long career with Expedia Group running one of the largest aspects of technology in that division, which was how do we unify all the technology across all the brands, the lines of business, join the data together, drive AI and start to develop a platform approach to running Expedia Group going forward. It was an excellent run.

And as I looked around what's next, I looked at a lot -- and what I saw here was just simply amazing. The network effects that we're already starting to be in play, the platform components that were already starting to be built. It just sets ourselves up for just enormous amount of opportunity going forward. And again, I'm going to share a little bit about just the overall approach that we're taking from the technology perspective and why these things are important, and then why it's going to talk more along with Jeff about the product and the strategy. So we're going to nerd out a little bit on you on kind of what we're thinking and what we've been working on.

Okay. So let's go to the next one. One thing I also was relevant to me is spending 15 years in the travel industry, being able to focus on one specific industry and vertical allows you to do things very uniquely for the customer. So being able to solve a specific problem for that particular area allows you to be very specialized and also create this unique bond with the -- Tooey that when I came here last year, I have never seen anything like it.

Being in technology for 30 years. I remember going to one of the first PeopleSoft conferences, the SAP conferences, the Oracle conferences, the Confluent conferences, the HashiCorp conferences. These were amazing technology companies. I had never seen the level of engagement and excitement with customers that I've seen here in this conference. It is not normal. In fact, Tooey was like, "Steve isn't this how all of them are?" and I'm like, "absolutely not, this is not normal." and so it's one thing we just don't take for granted is that partnership. And I think part of that partnership stems from we're solving real problems for their specific line of business for their specific persona within their role. We're not trying to solve problems for lots of different industries, lots of different verticals across the board.

As far as I know, we're the largest construction tech company with a breadth of solutions, providing a cloud-based unified approach to our customers and the industry. And I think that's super unique and it provides a competitive advantage for us going forward. It also allows for us to benefit -- [these of] scale go global as we scale for security, all the unique requirements. Many of those are unique for just construction. So they have very specific requirements just based on the type of project, as Tooey indicated that they are working on. So our ability to do that just for construction, again, provides this economy of scale that I think is hard to replicate across many other competitors in the marketplace.

The other thing that I think has really been accelerating over the past year, and I heard it loud and clear from our partners on Partner Day on Monday is this approach to an Open platform. A lot of people will say they have a platform, but there are some core elements of [Open Platform] that I think are really important to understand, One is this open approach that drives network effects is really the key to getting that flywheel going.

First of all, it starts with a large number of customers. We've got over 15,000 that are accessing our product in a unified way, whether that be a mobile app that's achieved almost 5-star rating consistently, a web experience or actually a tablet experience. If you've gone down to the partner floor, you'll see the tablet holsters. He'll walk on a job site and see many of our customers using that tablet. By the way, that tablet gives them access to that phone to all of our products, they interact with them in a common way. They're not using multiple solutions across the board, it all feels unified together.

The piece that I'm the most excited about, and I think the reason Tooey went through the last slide, this network effect is a piece that I think a lot of people have had a hard time grappling I would -- I've been traveling for about 6 weeks straight. Hopefully, this is the seventh and the last for at least another week. I'm ready for a bit of a break. But in those travels, I board the plane. I've got my Procore backpack, and I'm just amazed that every time I walk on that plane, somebody calls me out that, "Oh, you work for Procore" and when I have that conversation with them, and it was Jason last week as I was flying back from Atlanta, he owns a design firm in Austin, Texas. That's the busiest they've ever been in the history of their company.

He basically took it over from his father, it's about 30 architects. They're designing data centers all over the world. He basically said he's never seen the growth in the data center footprint in his entire career. And he said, "Yes, we use Procore every single day, every single day, our entire team is all [30]" And I said, "Really? Tell me more" and so who's your account rep. It's like, "no, we're not a customer, we just use it" and the reason they use it is because we have 520,000 companies across the world where all their employees are collaborating and accessing our product to build what Tooey just walked through. That is a network effect.

In the first time in Procore history, we're about to launch, and we've already started to roll this out is capabilities that allow each and every one of those customers to create their own account to start to achieve additional value. And you may ask yourself, why do they need to do that? Well, Jason has his own requirements around his set of drawings. Jason may want to do a markup or actually document something. He doesn't want to share with the customer yet. Jason has to actually think, well, I'm working with 4 different projects, how do I do that? I've got to log into each 4. So I want to maintain my own solution set. So this network effect and by the way, Jason is also accessing things through that same common user experience, super powerful from a network effect.

The other thing we've heard loud and clear, especially with generative AI and the advancements we've seen over the past 6 months is this concept of how do we get access to more of my data, I've got sophisticated technology teams on my side that I want to leverage that data and unified way. I want to join it together with more data. I want to put that in language models. Steve, I know you're building some amazing things, but there's also things that my teams need as well. We need to have some more control.

We've already begun to partner, and we're rolling out what we call Cloud Connector. Cloud Connector is your day to your cloud. It allows for us to basically in real-time move all of our data that we're storing for you, whether it's a document an object or structured data into your cloud environment. It's built on the foundation of Delta tables, which is pretty much the most modern tech that you could build on when you're building large-scale data platforms. Actually, Microsoft Fabric announced their new next-generation data platform. A lot of that foundation is underlying with Delta tables. We're super excited to partner with some of the biggest customers in the world as we roll this out. And we feel it's going to be a key differentiator for us as well.

The next piece and probably the most exciting for me is just socializing with all the partners on Monday. The feedback from the partners has been amazing. Our partner ecosystem, where if you're in construction tech or you're building any type of technology that interface in the construction business, I think we have pretty much 100% coverage on every single one of them. Procore has become that platform that you just have to integrate. And our open approach has been well received. We don't want to try to recreate or compete with every partner. We want to provide an ecosystem that lets everybody now connect into that network. And we're doing that more and more. We announced sidecar, side panel, sidecar on Monday. It allows our partners now to develop capabilities that run more integrated into our product experience. So those customers that are already accessing our common experience can now access our partners, all within the context of the job to be done. So really important, really amazing for both the partners, collaborators and customers across the board.

Okay. Next, we'll [nerd] down a little bit on just the approach of the platform and how we're thinking about the platform. And much of this has been in the works already and we've really accelerated over the past 12 months. I'm going to start at the bottom and work our way up.

One of the things in the construction industry, we hear a lot is we have unique requirements around where we store our data when we go global in these various countries. We are productizing what we call the Procore App zone and the Procore data zone. It allows for us to deploy our application in a cloud environment that basically fulfills the requirements of that specific customer. If a customer says, "I've got a requirement to store data in a specific region or country, we can actually store that object data in that country separate from the area that the app is running. So we're super excited about the evolution of this. There's lots of additional requirements we've heard from many customers, and we're well on our way. FedRAMP is one of them. We're very focused on those requirements for those customers that we feel meet the most stringent security and governance around.

The next piece I'll talk about is just the event -- [texture]. You saw yesterday our co-pilot announcement. Part of building a generative AI and real-time intelligence in our product is being able to react in real time. A lot of companies will say they have real time, I would call it next-day action versus next best action. Next-day action is you're taking action based on intelligence, that's been processed the night before because you're having to batch things up and actually build it in the background and then start making recommendations to the customer.

Over the past year, we've moved to an event-driven architecture platform. We actually run a very highly scalable data mesh across the globe. It allows every one of our products to basically push that data into that mesh and allows us to take action and build intelligence and actually start to inform generative AI across the board. We're super excited as we light up CoPilot across every aspect of our solution set.

Speaking of platform foundational services, this is one thing I learned combining and building on the Expedia Group platform. A platform mindset essentially means that as we build services internally at Procore, we're building them for scale and for leverage for everything we have, whether it's workflow, our conversations that we announced yesterday or search or at or profile or enhanced reporting, all those across Procore have been built with a platform mindset. It means that every solution that you've seen in the first slide utilizes those same services in a common way. It means that teams aren't off recreating a rebuilding and it means that customer is using that same experience in a common way every single time. It gives us enormous economies of scale. It also helps with our overall COGS, our overall R&D and actually helps with the P&L to be the most efficient. So they're reinvesting those dollars back in the value for our customer versus spending at recreating the wheel each time.

Next piece, I would say is just the overall Helix experience. Helix's an internal name that we use on a project that basically is incorporating the next generation of what we think is a leading technology to pull all these experiences together to make them more real time and more personalized. We'll talk a little bit more about what those are.

If you look back at construction tech, there's a very well-defined process in terms that are used across all these competitors, whether it's an RFI, an observation to submittal, all these things are very well known, they're tools. We are moving rapidly to more of a conversational experience that focuses on the job to be done. Why it likes to tell a story of, "Hi, construction used to be a lot of people just using a [nextTel] [walky-talking] and actually having a conversation. In fact, on the job site, you'll see them using WhatsApp, you'll see them using messaging, e-mail across the board. It's a conversation on work to be done. We want to break that mindset and go back to that conversational experience and bring that to life within the application. And we're already seeing that.

So as you start to use our app, it's context to where it's relevant to the job to be done and it's starting to serve up things automatically. So you're not having to go search for a tool flow you're using the product as it determines what they think -- what we think you want to do next. It almost feels magical. It feels magical because Copilot, as you saw from the demo on Tuesday is already aware of what we think you need to do based on the information you may have asked or the action you're about to perform. And this is where those fundamental building blocks come in that really bring almost a magical experience and hard to recreate. We believe this is a competitive moat. For the first time, we've been sitting on what we believe to be as the world's largest construction data set, and now we can start to bring intelligence to it and bring our experience to life.

This is also sitting on top of what we believe is the most modern micro experience framework out there. It's what a modern tech company is using to build the solutions. It means that each of our dev teams are off on a separate track to build and deliver magical experiences and servicing them up in a unified way. So we're not waiting for the last [could be some] train to get that release up to the customer.

Lastly, I'll talk a little bit about copilot and our approach to this. This is more of a technology approach, and I'm going to let Wyatt share some of the amazing things we're doing. As we think about Copilot, Copilot to us is a platform, it's a platform that allows us to talk to multiple large language models as they emerge. There's so much breakthrough, it's almost weekly that you release on something amazing that's coming out in this space. And we're building this approach that allows us to use the best-in-breed technologies. We're excited about the partnership with Microsoft. We're excited about using Azure cognitive services. Many of the demos that you saw are leveraging those services today, which is incredible.

We've gone after PDF because we feel those -- that's the untapped value right now, just tens of thousands of pages of documents and specifications or requirements that these companies have to adhere to. And bringing that intelligence and that time savings, I mean, when people see it, they're just like it's unbelievable.

The next piece we're going after is obviously the structure and the more unstructured data. Think about just the richness we have and all the different items we have in our projects. You can basically do have a conversation with Copilot, look for risks, look for updates, look for summaries, actually do advanced intelligence and reporting on the fly. And then actually, we can prompt you with things that you might need to do next based on what we've seen other users do in the system. It's pretty incredible. So we're super excited about this platform. We are going to begin to light it up across all of our solutions and all of our tools over the coming months.

So again, just a super exciting time to be in technology. I tell you after driving AI for so many years across some of the biggest companies in the world, I told somebody that today, it's the first time I've actually been willing to pay more for something because I truly felt the ROI and that magical experience was happening, it's pretty mind blowing. And I can't think of a better place to apply it than construction, where just that little extra bit of time savings makes such a huge impact. The margins that we see on some of these projects are super thin. So our customers look to us as a partner, what are we doing to make their job easier, what are we doing to improve the margin. And this clearly, we think, is a huge advantage for us going forward.

All right. With that, I'm going to turn it over to my partner, Wyatt to tell you a little bit about the product.

Wyatt Jenkins^ Hi, everyone. Check. Check. Wyatt, Head of Products. We're so stoked to have Steve on board, a world-class technology leader. One of the things Steve and I talk a lot about to our teams is when we think about the platform capabilities that he just shared is being faster than a start-up and we use this terminology a lot internally to our groups. And I'll give you a good example of how the platform we're building makes us faster than a startup.

Recently, [Jeff's] gonna come up and talk about Procore. When we built Procore pay, it needed a workflow engine, which we had as a component in our platform. It needed enterprise-grade permissions, which were a component we had in our platform. We needed a way for subcontractors to log in and connect their bank account. Oh, that's good because we have a Procore construction network where they can log in. And so we just need to have a bank account connection in there. And so when we stand up a new solution for customers, like Procore Pay, we truly can be faster than a start-up at this point, thanks to the maturity of our platform.

Our platform still has a long way to go, and we can be even faster, but it's really powerful to see those LEGO blocks of a platform start to stack up. Because if you were a really scrappy start-up, 10-person company and you're building pay, you would have to build your own workflow engine, your own enterprise-grade permissions. And that's the concept that we're trying to empower within our engineering and product teams

Okay. I'm going to spend a little time talking to you about how we take that platform that we just described to market and how we solve problems in the construction industry. The first thing we all have to get on the same page about is at least the way we think about the construction life cycle. So you heard me a lot on stage yesterday if you caught the keynote talking about from preconstruction through to close out. It's a really important concept. And it's not something we could have talked about 3 years ago. It's only at this point now where we truly can chase a project through the entire workflow.

So in the industry, you've got the pre-con phase where you've got design management and bidding and [prequal] and estimating and all the things that need to happen before the first shovel hits the ground. And this is an area of a lot of innovation for us right now. Project execution is our bread and butter. We've been doing this for 20 years, and we have industry-leading products in this space. Now we're getting into resource management with labor, our workforce management product, and then we have an industry-leading financials product, project financials. We already had invoicing. And then with the Levelset acquisition, we added Lean waivers and now we launched Procore Pay to extend that.

So here's how our solutions at ProCore support these natural workflows that are already happening in the construction industry. So as we layer into solutions, what you'll see, it's really interesting what happens when you have all these in a single platform. I want to give you an example of the way the industry works.

So the other day, I was talking to a general contractor. I was talking to them, they're head of preconstruction. And he said, "Wyatt my preconstruction department team has nine point solutions" and so like what does that mean in real life? They have a takeoff solution and they do take off and then they download that to their desktop and then they mess with it in Excel or something. And then they upload that to their estimating tool, and they download that. And then they got to go bid out the work and then they're going to go over to their bidding tool and they're going to upload it. And each time it's going to pass hands between somebody organizationally. There's Going to be data loss, you're going to have mistakes from human error. And people are literally redoing the work each time, right? It's just like a big data entry chain. Whereas in Procore, what we were able to show you in the keynote yesterday, you're able to see how you could be in an estimate and you could click a single button to auto generate a bid package.

So when you think about our whole platform, there's 50 of those examples of -- for example, in construction, taking an RFI and turning into a change event, right? Where the tech we're coming from are discrete point solutions. And that's really the power of our connected system. All that, we've maintained an open API. And so we've got our partner ecosystem that underlies all that. There's always partners out there who are amazing at [some point solution] and we want to make sure that we have a 2-way data partnership with them.

And then the really powerful stuff, which Steve just talked about, we've spent the last 3 years building out our data platform and our data platform has the data from all of these workflows. And and now that we have that data platform in place, our construction Intelligence platform, we can power AI, empower copilot and all these intelligent systems. Well, I want to go a little deeper into the platform and give you a few examples of some of the powerful things that we can do that are differentiated in the marketplace.

Mobile is really important and something that -- Procore is one of the first into mobile. And so it's really important to understand our position there. For of course, some of the big growth years were kind of back when mobile was gaining traction on job sites. Tooey always tells me stories of climbing up poles at a job site trying to hang an Internet router in 2004 or 2005 before mobile caught hold. But since day one, everything we do in Procore, we've thought about what is the field experience what is the mobile experience.

And so when our customers come and talk to us about this, we're able to articulate to them, yes, really any part of Procore that you need to do in the field is available to you. And if you go out and look at the market, you just can't find that anywhere. You'll find a mobile document solution or you'll find a mobile punch list solution. And so Procore really has one of the few unified mobile solutions across the platform and lets the field do everything they need to do.

Now that I've explained the construction life cycle and how we take our solution to market to solve those construction life cycle problems, and a bit about our platform. I want to double-click into how we think about this network, so you all understand it better. So I want to explain how architects, engineers, owners specialty contractors, material suppliers all have accounts in ProCore today and how those work.

So because what we have today is a true multisided network in Procore. So the way we think about it internally and what's important for all you to know is that the general contractor is truly the super node in the network. If one of us wanted to build a hospital like the example I had on stage and we are an owner, why would we go talk to a general contractor because they have a network of trades that they work with all the time building hospitals. And so that would derisk it for us. And so when you think about the data, if you imagine like a visual graph, you would see the GCs as the super nodes all throughout the data.

And you remember that quote, yesterday, I mentioned at the keynote from Marcus at XL Construction. Marcus said, ProCore, your job to be done for us is to help us collaborate with our network of partners, that's what your software needs to do really, really well. So I want to show you this through numbers a little bit and give you some context.

We have a tool in the platform. It's called the directory. And inside that directory, a general contractor role, enter all of their partners into their directory. So what I've done here is taken one enterprise GC, not our biggest, not our smallest, a enterprise GC. And in their directory, they have 17,000 entries of partners that they've worked with. And then the next number, if you take all the directories inside of Procore and you [dedupe] them, you're going to have about 520,000 partners for our GCs in that. And so that's really us articulating the size of prize here. It's really exciting.

And then another stat that we haven't shared before that's interesting, and I think we can grow this. If you look at the first half of 2023, 40% roughly of our new logos, we're a collaborator on a project before they became a paying customer. So that's just an example of how the network effects take place. I've had a few conversations with folks about product-led growth at Procore.

And I always try to make sure everyone understands there's a lot of ways to drive growth inside the product. It's not just a down market play, if at all, it's actually sending a nice warm product qualified lead to an account rep for a high ICP customer that's one of our collaborators because they're working on a very specific project at a very specific time. And that's a really powerful thing that works today that is going to work even better in the future.

So let's go into a project, and I'm going to go one click lower than Tooey just went. If you remember, he showed a customer, Vertigo Construction, I want to show a project that, that customer might work on. So here's Vertigo Construction. This is, again, it's a fictional project, but it's very real data. It's data that's very representative, here's vertigo. On this project, there's $45 million Midwest Media Center, there are 32 collaborator companies. Out of the 32 companies, there are six Procore customers that are already customers. There are 26 noncustomers, and there are four of those noncustomers who are actually in our 400 companies. And the really important thing to think about is when these folks are collaborators throughout the course of the project, they're going to log in to Procore like 100x or so.

So we sort of have per project 100 opportunities to explain to them the value of Procore and things that they might purchase from us. So really, think about our projects as the lifeblood of these networks. And that everybody working on that project has a chance to go learn more about Procore. And so when our account reps reach out to these folks, they already know Procore, they're already in a project, they already have a log-in and it really smooths things out from there.

One of our big announcements yesterday was Procore connectability. And when we talk about things like connectability or Procore conversations or the Procor Construction network, we're talking about things that delight customers. Customers love this, it really helps their workflows, but also things that drive the business. So when you make it really, really easy for two Procor customers to work together, they desire to work together on more Procore projects. And the thing you'll hear in the field is, "oh, it's a Procore project. Good. I already have an account, I already know how RFIs work. I can get all my drawings there", that's the way that a customer would talk about this from their perspective.

One of the other really key value propositions for this. Customers want to keep a version of the data from the project in their own account. That is a very, very important concept in construction and why something like connectibility is so important to the industry. It's not enough that we just connect all these customers, it's really important that we have a product for them to purchase as well.

This is a slide from last year, Paul's section that I wanted to bring back up. So what this is, is a per audience base when you do a survey, what are the top pain points per audience. And I think what you see there is it's a lot of the same pain points, but in a different priority. So obviously, with our general contractors running a project is the number one concern and the top pain point for their business, followed by managing the financials of the project, quality and safety, invoicing and paying analytics.

Now if you go to our subs, they too need to run projects. They're also on projects, so project management is interesting to them. But their number one challenge is managing a very large workforce, right? So they've got all these folks out doing the concrete or doing the mechanical work. And so number one for them is workforce management, also really high for a subcontractor. Keep in mind that subcontractors are going to do 30, 40 bids a month to get new work and so estimating gets really, really high in that ranking for a subcontractor, another solution that we have in Procore.

And then for owners, the number one challenge they face is managing and seeing the financials and the budget of the thing that they're building. So it's our project financials that allows our owners to really dive into Procore and love it. Followed by analytics.

And then owners also do a lot of bidding, right? They're going to bid out work to general contractors. So that's why our bidding tool ranks high in their pain points.

So what I wanted to articulate here is how we take solutions to market to solve problems for these different audiences. These audiences need some of the same things just in a different order. When we zoom out to global, it's a similar story, but there's a few nuances in global. So within project management, document management is a very specific global need that is unique and why we've spent so long building Procore Document Management, which is going into GA in Q1 early next year. It's been in beta this year. So there are global needs for document ISO standards like ISO-19650 in the U.K. And these are very specific government-mandated needs that you need to have to play in those markets and play in a big way. And so we're thrilled to launch this into GA next year.

The other thing I want to point out is BIM is a big deal in a lot of markets, too. And in some markets, again the U.K. often has some of the most stringent requirements and is the tip of the spear in terms of regulation and construction. And in the U.K., BIM is a really, really important part of our go-to-market strategy and our product strategy there. And our BIM product checks the box for all U.K. regulations, Australian regulations. It's a really important part of our solution set in those regions.

Okay. I want to summarize and hand it over to Goeff. Number one, the end-to-end construction life cycle is a hard to copy differentiator. We can do a lot with the data. We can do a lot with keeping folks in the workflow and keeping them from like going from point solution to point solution. That's a really hard to copy differentiator. Number two, we have key collaboration-driven network effects that exist in construction. They're just out there. We're just getting better and better at enhancing them and making sure the product plays well into that. Number three, because we have end-to-end data, we're actually able to round-trip that data and start to do some really cool stuff with predictive analytics and package up the historical benchmarks from the industry and show that to customers so they can make smarter decisions on their next project.

One I didn't talk about, and I want to get Goeff up here to discuss deeper, another hard-to-copy differentiator. Folks when we have an industry-leading financials product and it connects into the accounting systems of all these customers. And when you have a financial product that's connected to the accounting system, it is very, very sticky. It's a long-term relationship. And now we're taking that financials product, and we are extending into pay.

So to talk about Procore Pay, I want to get Geoff up here. Thanks.

Geoff Lewis^ Nice job man. Awesome. All right. Hi, everyone. Geoff Lewis, VP of Product for all of our financial products. So that's our accounting connectors, project financials, invoice management and also overseeing Procore Pay. So really excited to talk about Procore pay today. I was talking to my team who's in the innovation lab yesterday, and they said they saw lots of purple lanyards, which are our investors. So thanks for stopping by and being interested. Yes, I'll go a little bit deeper today.

So I'll talk a little bit about what customer problem we're solving with Pay, how we're solving it, why Procore, we think, has a right to win in this space, how we're going to monetize it. And then I'll end with how this new product opens up future opportunities for Procore, both on the network side as Wyatt spoke to and then also (inaudible) Paul Lyandres to talk about fintech which is a very natural bridge from payments.

All right. So I think you guys probably get the idea by this point that construction is a network. But to reiterate the importance of this, the idea here is that a general contractor, as why I mentioned, works with 10, 20, 40, even 50 trades on a given job. And each one of those has to have a subcontract and every month has to get paid for the work they're doing. So this sort of joint between general contractors and all their subcontractors is very painful and messy for general contractors to manage. So let me talk a little bit more about why that is.

So just to back things up and talk about the payment process and construction, why it's so unique. Every month, the subcontractor has to effectively compile what we call a payment application for the GC. Typically, these are very expensive invoices, right? The average invoice that goes through Procore today is somewhere between $50,000 and $100,000, right? So these are not small invoices. There's a lot of effort that goes into preparing these things.

So the sub is going to pull together a whole host of documents, 10, even 15 different documents. And a lot of those are going to be specific to this project or to this GC or to what this specific owner for this project requires. And then on the other side of the screen, the GC has to look at all that stuff. They have to confirm that the sub has submitted all the required docs. They have to go through and physically read and verify that every doc the sub submitted is correct. Because if they don't, when they take all this and roll it up to the owner to get paid, the owner is going to do the same thing and kick it back, right? And so this process repeats itself on basically every job requires a lot of back and forth and is very, very painful for both sides. Then zooming out, this is not a onetime thing for the general contractor, right? They work across many projects with many different subs. And so every month, this process repeats itself and becomes incredibly painful and really filled with friction.

We first got into pay a few years ago, our thinking was, oh, the problem must be actually paying subcontractors like actually physically moving money from the general contractor to the sub. And there are still a lot of paper checks going on in this industry. So there's definitely some opportunity to streamline that. But as we did our discovery with customers, what it kept coming back to was that the pain was actually paperwork not physically moving the money.

So Procore has really focused on how can we solve this paperwork problem because that's where all the pain is. And if we can do that, we then have the right to move money and moving money becomes sort of the way to wrap all this together into an amazing experience.

The other thing I'll add is that the invoicing process in construction is very unique to construction, right? There are things like schedule of values, retainage, lean waivers, certificates of insurance. These are things that come into play on every single payment in construction, and they're completely unique to construction. These are not things you need for other types of invoicing solutions. And so when we talk to customers, we very rarely see horizontal AP solutions, right? It's almost always spreadsheets, and sometimes, it's construction-specific accounts payable competitors, but very, very rarely do we see these sort of more horizontal AP competitors you might be familiar with.

So because some of these documents are so unique to construction, this is also one of the reasons why acquiring level set was so important. And I know Tooey spent a lot of time on this on earnings calls, just talking about the very specific kinds of documentation called lean waivers that goes into basically every construction payment. And to level set, our experts at solving for this process, and so being able to integrate that into our invoicing solution has really helped us speed our way to solving this problem for customers.

All right. And then Wyatt sort of alluded to this, but we've also built a market-leading financial solution, we've built out accounting connectors. And so really, what we're doing with Procore pay is building on all these things that we already have inside Procore.

So for example, the process for getting paid actually starts long before that, right? It really starts with the bid process, which we manage. [Alter] that bid gets turned into an awarded subcontract and that becomes what the subcontractor is actually billing against every month, then you have to invoice against that. We have an industry-leading invoice management solution. All that stuff has got rolled up to the owner. And then eventually, that comes back into the payment process, right?

So for us, payments is sort of the last mile that brings this whole problem together. And our customers who are already leveraging us for managing subcontracts, managing invoices, hooking into their accounting system. This becomes a very natural extension, sort of that last mile. And as I mentioned before, while moving money is a key part of that, right? It's really just that last piece, that experiential piece because we solve all that paperwork problem for them. And so from our perspective, this is what really gives Procore a right to win in the space. It's a very uniquely construction-specific problem and solving it requires everything else our customers are already using inside our product.

So today -- or yesterday, I guess, time flies when you have fun. Yesterday, we announced the launch of Procore pay. And so we're really all about reimagining this process and completely eliminating the pain. So as I mentioned, I think some of you saw the demo over the innovation labs. But by solving this paperwork problem, we make it really easy for our general contractor customers to manage all this paperwork and then money movement just becomes a natural extension.

All right. So as I mentioned, we announced yesterday that we're actually launching Procore pay, and we're going to begin selling it to select general contractors in the U.S. We've been running a pilot program with about two dozen general contractors of all different sizes over the last year. Those folks use all different kinds of different processes today. So a lot of them use spreadsheets, as I mentioned, but others use construction-specific accounts payable competitors. So we've gotten really amazing feedback from that group, and that group is now in the process of upgrading to being paid customers. And we're going to start selling this product to our invoicing management customers in the U.S. We're really, really, really optimistic about the opportunity here. And we'll talk more about what we think the opportunity is in the future.

But I just want to reiterate that we're going to start small, right? We are focused on a relatively small subset of our customers today. We want to get it right and be slow and methodical before growing it out to owners growing it out to subcontractors, taking it globally. So all that's going to come, but it's going to come somewhat slowly, and we just want to -- Matt reminded me to make sure we manage our expectations appropriately. Sorry, Matt. Matt told me to blame him.

All right. The other thing I want to add here is that this is sort of a look at a specific customer. So ramping ProCore Pay takes a customer some amount of time. Obviously, we're still in the process of ramping our customers, but especially for our larger customers, we estimate that it's going to take anywhere from 6 to even 24 months to get to full ramp on Procor Pay. And I want to describe why that is.

Obviously, there's the sales process. One thing I will note is typically in the sales process today, Procore does interact with the CFO of our customers. However, we normally don't engage the CFO's direct reports inside the product today, right? And Procore pay becomes sort of -- we call it a joint venture between the project teams, which is really our bread and butter and some of the accounting personas that are relatively new for Procore. So that's something we have to work through, so a little bit of a sales cycle there, a little bit of a training for our go-to-market teams.

Customer then opens a Goldman account. I just want to clarify that this is only for the general contractor, the subs do not have to open Goldman accounts. They just link their bank account and go through a fraud prevention process that Procore has in place, but it does not require them to open Goldman accounts. We got to extend the ERP integration slightly to now link payments.

And then typically, what's going to happen is the general contractor is going to start testing it on a few projects and then gradually roll out.

I think Tooey mentioned the backlog can last a few years. If a customer is mid-flight on a project, they are very, very hesitant to change the way they're paying their subcontractors. They typically want to finish that project that way. And as the next project comes on, that's when they'll think about changing their process. So that's why there's this slowish ramp time, but so I sort of think of each customer as a little bit of a J curve, but all these folks are going to get ramped up fully on Procore Pay over time. So I just want to remind you, while the opportunity is large, it will take time to get this up and running.

The other thing I want to talk about was how we're going to monetize Procore Pay. So something we're doing with Procore pay, which is pretty unique for Procore is we're actually offering two pricing models. So this provides a lot of flexibility for the general contractor to choose how they want to pay for Procore pay. And the reason we did this is we did a lot of customer research up and down the spectrum of customer size. And what we found was two very polarized groups.

One group vastly prefers what you'd be very familiar with through the existing Procore pricing model, right? So sort of bps on annual construction volume, very simple for the customer to buy, no fees for this [sub] fits very well with our unlimited user model.

There's another group though, that we found typically who use an existing competitor in the market today who vastly prefer a model where they pay a smaller rate on their side, but there are subcontractors for every project the subcontractors participate in, pay an administrative fee on their side as well. And so we were -- we didn't know what to expect when we went out to market, but we found that there was this very strong feedback from these 2 poles. And our goal is to minimize friction and get as many customers as we can on the Procore Pay. And so for that reason, we've decided to basically allow these two models, customers will be able to choose and ultimately, we think this is going to be our best path to getting a very large base of payers into Procore. And that's very important because we think there's massive opportunity for Procore by launching Procore Pay.

So first, and this is fairly obvious, right? It's going to provide additional cross-sell opportunities. So we sell our financials product today. Procore Pay becomes an additional product we can sell into our base, fits very well with financials. And so our hope is to have a very high cross-sell rate of it, and that's, of course, going to provide us an additional opportunity for revenue.

So remember that slide Tooey showed before, where I think we had something like 22% volume capture with general contractors. That's not even inclusive of the opportunity to sell them more project -- more products, right? So this is yet another product that we can sell into our customer base.

The thing is platform stickiness, right? So a lot of our customers who are leveraging our financials product, leveraging our accounting integrations. Those customers are already incredibly sticky. But as we extend further into the payment process, the way they actually pay their subcontractors. We think that's going to create a huge additional boost to our stickiness, create a lot more value for the customer and hopefully allow us to retain those customers for a much longer time period.

The other thing is, as I showed on that first slide, payments is a network, right? And if a general contractor wants to pay 40 subs on a project or as Wyatt mentioned, if that general contractor adopts Procor Pay and wants to pay 17,000 subcontractors in their directory. Well, guess what? All of those subcontractors now have to sign up for a Procore construction network account and link their bank account, right? And so now Procore construction network becomes not just a place where those subs can sort of showcase their qualifications and [win] work, but it also becomes the place where they get paid, right? And so that delta between 16,000 paying customers we have today and 520,000 collaborator companies, there's a lot more value we're delivering to those collaborator companies, through bidding, through payments. And so this is another way to drive value to that collaborator network and hopefully turn those collaborators into customers over time.

Cool. And then last, and this is probably a good opportunity to start turning it over to Paul, this is going to open up a lot of fintech opportunities, right? What this product fundamentally means is that Procore is effectively instructing the payments from general contractors to all their subcontractors, right? And so having that level of visibility and control into the way funds are flowing in construction, provides a huge opportunity for things like working capital, trade finance, et cetera. So we think there's going to be very big synergy between what we're doing on the sort of software side, with payments. And then what we're going to be able to do on the fintech side, as Paul can talk more about.

So with that, I'll hand it over to Paul, and thank you.

Paul Lyandres^ Awesome. Well, excited to be back. Thanks for having me. Thanks for everyone coming in. For those of you I haven't had a chance to meet over the years, my name is Paul Lyandres. Going on just over 9 years here at Procore, but 4 months in a new role. Prior to that, I served in the CFO role for 4 years so it's exciting to be here in a slightly different form. But I've been partnering now with Tooey, the team for 9-plus years.

And in the most recent period of time, I've been getting this question of like, why would you leave the CFO role to go take on this new challenge? And the thing I felt the need to really convey with that, this has been a problem statement, something we've been talking about since the day I got to Procore. I will never forget that journey went Tooey -- he's one of the first things Tooey talks to me when I joined is "We should get Procore away for free" and the point was the value of the data our positioning in the workflows, our relationships with these customers give us an opportunity to really build a partnership that isn't about just making money. It's about figuring out like how do we be true to our mission, this idea of helping to improve the lives of everyone in construction.

And to do that, we really have to appreciate what are these pains. What are the things that keep these folks up at night that drive them out of business that make their lives infinitely harder than they need to do when all they showed up to do is built because that's their passion. I feel really grateful to be giving this opportunity to work with an amazing company to try to go off and take these venture bets and see if we can build something really special.

I do use the word venture bets very specifically here. These are C businesses series A, not probably typically things that you all tend to invest in. The goal right now is not sitting around the table and figuring out how do we scale this as fast as possible. How do we drive the top line here. The goal is figuring out how do we be thoughtful, how do we look at all the different potential avenues that we can go to solve this problem. Work with the customer, test the thesis, ensure that it is not only a functional thoughtful thesis, but it's the most effective and efficient way to actually go and solve this problem. And that's the stage of the journey we're in.

I want to start by talking about the first of the two initiatives that Matt highlighted. So when we talk about fintech, we're really talking about two distinct problem statements. First is around this concept of risk. We have this brand internally, we call it Procore Risk Advisors. You can think about it as synonymous with insurance. But the idea here is insurance, like many things in construction has not actually changed like 100 years. This is something that our customers have to engage in [with no] choice. It is a process that is cumbersome, full of that paperwork that Jeff sort of alluded to, full of annoyances in terms of deep in the root minutia that can really impact your own success and survivability.

And therefore, we saw this opportunity as we were talking to customers, to not only take the step back and say, "Hi, we're a tech company. We can make this more efficient, more enjoyable, a better experience. But also to say that one of the things that has meaningfully changed in the last 100 years is the adoption of technology, the leveraging of best practices, the ability to turn around and standardize and run an operationally effective business. But in many cases, we talk to customers, and we actually had this session yesterday, where we started by saying, "Hi, how many of you all believe you run a better business since adopting Procore. Everyone in the room raised their hand. The next question was how many of you all think you've actually got the benefit of this when you think about your insurance? No one raised their hand, that's the problem statement. These folks have not gotten the credit for the work they've done.

So when we think about how can we, Procore, help solve this problem. We've thought about in two different lenses. So you can see here on the right side, there are 2 different businesses that really exist within this world of Procore Risk Advisor, first is a brokerage.

In a lot of ways, you can think about a brokerage in the traditional sense if any of you have had to buy home insurance or car insurance or any of these products, you're typically going to interact with someone who is the conduit to all the different underwriters, all the different potential folks who can actually sell you your policy. These brokers get paid large sums of money. And in many ways, they have not changed how they operate or what they deliver to their customers in a really long time. Not only can we leverage our relationships and our ability to serve as a broker to create a better experience, drive better outcomes for the customer. But because of where we sit, because of the massive data set we have, the relationship we have with the customers, we also have this unique opportunity to build what's called an MGU in our world, but for you all, think about it as assisted underwriting. This idea that we're not the underwriter, I'm not travelers, I'm not Zurich, I'm not taking the balance sheet risk.

But these underwriters understand that we, Procore, have valued [that]. We have context around the business, we have unique and proprietary data about the performance of these contractors. And therefore, they're willing to pay us to essentially augment their underwriting experience with ours in order to drive better outcomes for everybody.

As we embarked on this insurance journey. Interesting enough, we really felt we had 2 big things we had to prove. First one was, can we get the industry to partner with us? Will insurance be willing to believe that this data is impactful? Will they see the vision we see? I haven't changed in 100 years, will they be willing to lean in with us now?

The second thing we had to prove was actually both very simple and yet also really complicated, which was this is an undifferentiated service that's been around for 100 years. And so these brokers have figured out the way they survive is by ingraining themselves in the lives of their customers going to birthday parties sending gifts like this is what they did not drive tremendous value to the actual customer.

So we set out to figure out those two theses, and we've learned a lot. We launched this in May. We're 5, 6 months into this journey. In those 6 months, [interesting that] we've proven, in our opinion, that first thesis. We've been able to go out, sign all the necessary carrier partners. And for you all what you really need to understand these carrier partners is this is travelers and Zurich and these different companies trusting us to go represent them, sell their product and really go partner with contractors to get them distribution. They're not quick to give this to folks, and it's also critical for us to actually be able to full-service brokerage. We can now go to any contractor and we can effectively serve them the way their historic broker has, getting them the same policies, but better.

We also started down this journey of this concept that our data means you are going to be a better client for insurance carriers. Now they believed us. But we felt that we could actually prove it even better. So one of the things that we did is we partnered actually with the technology side of the business, our internal data teams, we did this really interesting study.

So there's a department out there. It's called OSHA. For those of you who don't know, they are essentially the safety and health, government regulator. They're responsible for making sure we have safe and healthy work environment. They also require all contractors to disclose incidents they have, missed worker hours, deaths, these really nary things that happen on a job site.

So we went and pulled 5 years worth of data. We mapped it to all of our customers. And in most cases, we found the vast majority of them. We looked at the compare and contrast for non-Procore customers to Procore customers. We found two really interesting things. It turns out the data validated what we thought. Procore customers do have better outcomes, but actually validate even further.

The reason you see this range, this 20% to [40-ish] is because that's based on usage. It shows that if you're a good user, not a great user but you use Procore, you're going to be in this mid-20s range. You're going to reduce the number of incidents. These are injuries, these are big problems that then turn around and cost you a lot of lost labor time. These injuries happen, these workers go off and they're off for a while.

Now the more you adopt ProCore, the closer you start to get to this 30%, 40% outcome. This is huge for our customers. It's something they inherently knew, but now we can go out there with third-party data, third-party validation. We gave this to Frost and [Sullivan], said you guys make sure this is exactly what we say it is, and it resonates. The customers get it. And in fact, it starts to get them a little upset, which probably not a bad thing for us because we need them to question why their existing brokers have not leveraged the knowledge, the best practices to get them better policies.

So as we've gone through the journey, you'll see we've had a lot of first meetings. Now interesting enough, that 150 number we brought on a team with 100-plus years experience. The last employer there, they've been there for 4-plus years. And the team has told us in the 4-plus years they were at their last employer, they didn't have anywhere near 150 meetings combined.

So the interest from the customers to sit down to hear what we're doing in learn is there. The pain that they feel in this laborious and cumbersome process is real. But that second point about breaking the relationship, it's also been very real. There's been some fun stories as we've gone through these early conversations.

One of them that sits really well with me is we spent, I believe, it was 2-plus hours. This is supposed to be a 30-, 45-minute meeting. I spent 2 hours with a $100 million contractor. Asked us a ton of questions, walked away and said, "You guys have to do this. This is exactly what the industry needs. This is brilliant. Next sentence, but call me in 2 years, my broker is my best friend. I've known him for 30 years. He's 65, he's retiring soon, not a unique story for us. In fact, it can be even harder, right? We had one, there's a particular product as we talked about. We have some of our own policies. These are policies in the MGU that only Procore customers can get and they're almost always going to be cheaper and better.

One of these policies is really complicated again. It actually takes 4 to 6 months for a broker to go out there and build this tower to get this coverage. So a customer came to us, their brokerage spent 4 to 6 months doing this. [aimback], it was $1 million-plus quote. We were able to turn around this policy in less than 72 hours. We saved them $300,000 on that $1 million quote. It went back to their broker, their broker gave them a litany of excuses for why their policy wasn't actually as bad as they thought it was. Went back, made a lot of favors to try to get a better policy. Still couldn't come to us, they were still about $150,000 way.

So we saved this customer $200,000 just by forcing their broker to do a better job. But they came to us and said, "Hi, look, you got to understand. They spent 6 months on this. We've known them for 30 years. Again, we're going to let them do this. However, this is what we're starting to see" they also came back to it and said, "But you prove something and we will give you the next project". And that's where understanding this brokerage is a unique approach we can take in construction.

While the majority of the spend that folks have on construction is in annual policies. Most of those annual policies all have some form of exception some form of carve-out, which requires them, in many cases, to have to go get specific policy coverage on just projects. That's where we're seeing an opportunity to really prove like we did in that last story that we can do this way better, way faster, way cheaper, and it resonates. So while we lost that deal, we're now working on the next project with them, and we're slowly starting the conversation on how do we become their annual consistent broker.

Not all the stories go that way. We have certainly had the stories where they've come to us. And often, our customers start by testing us with the hardest thing that they can't get their brokers to figure out. So [with one], massive house in California, full of danger around earthquakes and catastrophic zones, they couldn't get coverage or they could, but it was really bad. It took us a few days, came back, saved them 25% on the policy, got them the coverage they need, reduce the deductible won that project, working on the next one, now working on their annual. We still have not [win] the annual, they still are working with us towards that journey, but we know we will.

We won our first annual customer some time ago. This was a fun one and that this was truly what we know exists out there as well and are working our way through. This customer knew their existing brokerage just wasn't good enough. We liked them, they have a great relationship, but they were growing and the broker couldn't keep [it]. Proof was in the pudding, they gave us the shot, we went out, the first annual policy of theirs replaced was their worker's comp. Look under the hood, they've been misclassifying a ton of employees, messed up all of their policies, fixed it, saved them essentially just on workers' comp, which is a fraction of their overall spend on insurance, about 50% of the spend they have on Procor just in reducing and fixing that policy.

The customers see it, the quotes are there. It isn't a question to us, can we get these folks in time? The next steps in this journey for us really are how do we get deeper and deeper into getting these customers to understand what they deserve, where the market is headed, what the opportunity for them really looks like. I think the survey we did says it well.

50-plus percent of customers willing to work with us in insurance. 70-plus percent of customers don't think they have a problem with their broker. That's the focus going forward is making sure people understand what they should get from their broker, what they will actually be able to get in terms of policies, coverage, pricing and why their 30-year relationships are just not rational. But that's going to take us some time. We're excited about the opportunity to take that leverage the relationships, find the right ways to bring our software packaging together and really slowly but surely scale this business.

Next, I'm going to spend a little bit of time on working capital. So this one we've talked more about over the years. Working capital, in many ways, we've put it in the context of this material financing product, but I actually want to take the step back. The problem statement has nothing to do with materials per se. Problem statement has everything to do with how does this industry going back to what Geoff was saying, get paid. And what are the time lacks that occur in that journey of getting paid.

So pick your Fortune 100 company. The biggest of the big, massive balance sheet cash is not a problem for them. They set out, they're going to build a data center or a superstore, whatever it might be. We're going to hire their GC, architect engineer, that graph you all saw, and then they're going to bring on the subs. The subs are going to take the labor. They're going to buy the materials and show up on the job site. They're going to do a month's worth of work going to roll up an invoice. Then that invoice, that whole journey that Geoff talked about, not only is it super painful, he can take 30, 60, 90 days from when an invoice is approved to when it actually gets paid.

So in many cases, what this means for subcontractors, is their life is incredibly hard. They can mess up one spreadsheet and they can have an amazing business and they go under because they just can't afford payroll, they can't make their cost of capital, their working capital work. They often find themselves having to say no to jobs. It's not that they don't want to grow, it's not that they don't want to do the work. But if they're going to win at a $1 million project, they better have $300,000 sitting in the bank account in order to go run that project.

And this dynamic that constantly puts the person on the lowest part of the Totem Pole with the least fiscally sound balance sheet, having to do the majority of the financing in the construction industry. That has constantly created a set of pain out there. That brings us back to that original mission. Is there a lot of different problem sentiments we could solve? Yes. Is this one that when we sit down with subs that they constantly look to us and say, how can you help us? So we started with this idea of material financing. We've spent some time in the past talking about this. We talked about it last year.

Material financing is really interesting in that it solves one of the biggest costs, right? Materials tends to be anywhere from 30% to 60% of the cost on a job. And it lets us go out there and effectively buy the materials on behalf of the subcontractor and extend them 120-day terms, which aligns back to their actual payment cycle.

By becoming a supplier of record, we get what's called lean rights. Geoff talked about this, part of Levelset. Lean rights let you actually go after the asset. So they let you defend your claims in a better way. Now to date, we've put about $50 million into this test. Now we've told you all in the past, we'll never put more than 10% towards this initiative. And we've told you all that this is early days in learning and game [tail]. Now I'll tell you of that 50%, the majority of it has been paid back so that is not the number outstanding, and we continue to see really interesting learnings where this works for a customer becomes a natural part of their process. This is how they fund their jobs.

At the same time, we've come to appreciate that this idea that the lean will save you and that the lean becomes a critical component to this process, adds its own set of complexities. Not only is enforcing the lean and ensuring that you have all the right back up, think about like just proving the delivery of the materials when they got there and how. These things had little nuances along the way that certainly give us this dynamic where we're still figuring out how do we automate this and how do we best scale it. We've come to appreciate that when we have to enforce the lean, it's going to court, right? This is a legal battle. And so we remain really interested in the opportunity here. But we've also come away with saying like, this isn't as easy as everyone thinks it will be and there are certainly nuances that make this product difficult.

Now at the same time, we started to think about where else do we think we can make bets in this space. And this is where we started to think about this idea of factoring in. We internally call it early pay, but who knows that's what it would be called. And this one in a lot of ways, is akin to a traditional factoring product, right? Think about this idea where we partner with the sub -- or the general contractor. As Geoff had already shared, we've spent a long time building an invoicing module that gets to a place where even today, we're talking about billions of dollars a month of approved invoices in our system.

With the extension of pay, it puts us in this natural flow where the invoice is already approved, the exchange of information, everything you need to validate and believe that this is ready to get paid is done. And now it's a function of the subcontractor is going to wait 30, 60, 90 days. As the owner approves this -- or the GC, the GC rolls it up to the owner, God forbid the owner has to go to a bank. All of these things have to flow their way down. And it's not necessarily that the GC has any problems paying this but they're not going to pay until they're paid. That's how this industry works.

And so it creates this really unique opportunity for us to start exploring. How do we want to think about this other business now that pay is out there and we believe we have a really interesting unique flow that lets us be particularly advantageous in this world. Well, I'm here to tell you, we don't know the answer today, right?

What we know is the questions, the discovery we're doing and the commitment we have to you all, which is that what we do know in the long term is, we won't scale this on our balance sheet.

Now the interesting thing about a factoring versus a material financing product is material financing is something no one understands out there. It's not a product that has a history or a track record. Therefore, banks require game team. That's why we've been doing it on our own balance sheet. Factoring doesn't have that problem, factoring is something that is understood by the market. There's tremendous amounts of historical data on how it works. And therefore, to the extent we go that route, it's not a place we would even start by putting any risk on our own balance sheet.

So that's our first commitment. We know in the long term, this isn't going to be something we fund on our balance sheet. We're talking about tens, hundreds of potential billions of dollars.

The second thing is we're committed to doing it right. There's a number of stories out there of fintech businesses, particularly in the world of financing that just go really aggressive really fast.

And they come back and they realize that wasn't the right way to do it. That's just not what we're here to do.

We're going to test this. We're going to iterate. We're going to come back to you and say, hey. Actually, we're going to expand and do a second initiative in capital. Or, actually, we're going to double down on just material financing. Everything I told you about factoring is going to have to wait. Or actually, you know what, we think there's such an interesting opportunity in factoring. And hey. We're a Series A business. We have scarce resources. We're going to double down there for a moment.

The commitment is that as we make that decision and go through that journey, that this is a pain point we know our customers have. We are in a unique position to help solve it, and we want to find not only the most effective and thoughtful way to do it for the customer. Because as you talk to the customer, funny enough, they actually don't care how you're going to solve their problem per se. They want it to be easy, limited friction and fast. And so that's our commitment to the customer. Our commitment to you all is that we are going to do this in a way that is accretive to the business and thoughtful to the long term versus the short term.

So with that, super excited to invite my friend, Howard, up to the stage.

Howard Fu^ All right. Thank you, Paul, and thank you to all of you for being here today and all of you on the Webcast. For those of you who haven't met, I'm Howard Fu, I am the CFO of Procore. And I've been in this role for just over 4 months now, but I'm not new to Procore.

Prior to coming into the seat, I spent more than 2 years working closely with Tooey and Paul and the rest of the leadership team. And I can truly say that I am more excited today about where Procore is going than when I joined the company more than 2.5 years ago. And hopefully, you can see why from the keynote yesterday and from some of the things that you just saw today.

So before I jump into my content, let me tell you a little bit about myself. So I feel like I've always had an affinity for construction. Going way back many decades ago to my college days, I actually have a degree in civil engineering, structural engineering to be exact. And I remember one of my first jobs working for the Bureau of Construction Management for the City of San Francisco. And I remember one of my first projects working at the old Candlestick Park, if there's any sports fans out there. It's where the Giants used to play, it's where the 49ers used to play. Over the last 20 years, I've spent time at a number of technology companies. I've spent time at Visa at Salesforce at LinkedIn and at DocuSign. And I feel like coming to Procore is a culmination of all of those experiences. And it's a home coming to some extent, given where I started.

Before I jump into the content, I want to say a couple of more things. You heard Matt refer to this, this year's Investor Day and the finance component of the day is going to be different. Last year, we shared a ton of disclosures. We're not going to do that today. And frankly, if we updated those disclosures, it wouldn't be that exciting because the mix really hasn't changed that much in terms of the business that we're in.

What I am going to do today is two things. The first is I'm going to talk a little bit about my priorities as a CFO. And I'm also going to talk about how we would apply those priorities within a framework and apply that to conditions of stronger and weaker economic conditions. So let's jump in.

So when I think about my priorities as a CFO in terms of how I run the business and in terms of how I manage the financials of the company, it falls into 3 general categories. The first is going to be capital allocation, and what I mean by capital allocation, it's really about the magnitude and the distribution of our resources. So how much and where. And when I say where it can mean across a number of different factors, which products, with geographies, which teams. Basically, any factor that you can think of that influences how we and how and where we want to distribute our capital. But it's not just about the [wear]. It's also about the sequencing of how we deploy that capital. And that sequencing could be across the construction life cycle and how we invest across that life cycle and some of the -- in the construction life cycle that you saw Wyatt put together.

The second category is around operational excellence. And this is really about driving efficiency in our systems, in our processes and in our operating models. It is about aligning cross functionally how we deploy our capital. This is something that is foundational to how I think about my decisions in my day-to-day job. There will never be a day in my seat that you will stop hearing me talk about driving efficiency into how we operate. And it isn't just me or my organization. This is something that is foundational throughout all of Procore in terms of how we make decisions every single day.

The third category is growth and monetization. Now our short- and medium-term growth levers have not changed. The primary levers still have not changed. It's still about new logo acquisition. It's still about expanding ACV into our -- from our customers. It's still about international growth, and it's still about cross-selling additional products into our installed base.

Over the longer term, we may start to see some contributions from some of the seeds that we're planting today and some of the things that you heard from Geoff and from Paul. But these concepts aren't new to us, they're not new to Procore. We've been operating and balancing these priorities for the last several years.

What you're looking at here is the quarterly trend of our revenue growth and our non-GAAP operating margin over the last several years. And you can see that we have had to manage through some different cycles. Cycles of strength and weakness in the overall economy as well as in the construction industry. In 2019, we saw strong demand, and we invested heavily into that demand, and that was the right decision at that point in time. Of course, once we got into fiscal 2020, it was COVID, and job sites were literally empty. And as demand started to slow down, we started to intentionally pull back our investments. And when we pulled back our investments, it was mostly in the go-to-market organization. And we've largely maintained our investments in R&D and product. And the reason for that is because we knew that at some point we would come out of COVID. And we wanted to make sure that when we came out of this cycle that we would not fall behind in our product road map.

Going into 2021, we started to see demand pick back up, the construction industry and the demand for construction started to pick back up. And so we invested into that demand, and we ramped our investments. Not only did we ramp our investments, we were aggressively catching up to our investments. And the reason we did that was because we wanted to catch up the sum of the capacity that we lost when we pulled back our investments in 2020.

Now there's a nuance in 2021, of course, is we went IPO, and there are some additional expenses that we have to incur when we go IPO, and that impacted our margin profile. Going into 2022, we continue to see strength grow in the construction environment in the construction industry. And so we continue to ramp up our investments into that strength and frankly, there was still some pent-up demand for construction going into 2022.

Remember, I talked about even though job sites were empty in 2020, there was still construction that needed to be done. And that pent-up demand continued to flow into 2022. Of course, in 2022, there was another nuance. We acquired a company called Levelset. And that acquisition both impacted a little bit on our top line as well as our bottom line in terms of our non-GAAP operating margin.

As we got towards the back end of fiscal '22, we started to see our operating margins start to improve. And the reason for that is because with our focus on efficient growth. What we really started to see was the returns from some of the investments that we had made over the last couple of years.

Now moving into 2023, we started to see our growth normalize. And part of that reason was because we started to lap the Levelset acquisition in terms of their contribution. But we were also starting to face a tougher demand environment. Now we had always planned in 2023, as we've talked about, to be a margin catch-up year in 2023. But even though we plan to do that, we still had an additional focus to be very intentional about our hiring and where we deployed our resources and how many resources and how much resources that we added.

So the business has been through a lot. Even though the industry overall is still very early in the digitization journey, you can see that it goes through cycles. And we've had to manage through those cycles historically. And while we can't predict what those cycles are, we can certainly appropriately and thoughtfully manage through those cycles by balancing revenue growth and our profitability. Now this isn't to say that we don't have a perspective on where our performance will be in the next fiscal quarter or the fiscal year we do, and that shows up in our guidance. It is to say that we will appropriately manage our financials going forward.

Now even looking at what we had done historically in the cycles that we had managed to historically, it may not be clear or intuitive how we will do this going forward. Well, let me walk you through a framework for how we intend to do that.

So you heard from Tooey earlier that the construction industry generally grows over the long term. But even though the construction industry generally grows over the long term, it still will go through cycles and we can't control what those cycles are. But we can't control how we manage through those cycles. And whether we like it or not, Procore and our customers are operating in an industry that goes through cycles, and those cycles will impact us.

So let me walk you through the framework of how we intend to manage our financials and the business going forward. But before I do that, I just want to make something really clear. This is a framework, it is not a guidance, it is not a menu. It's not a choose your own adventure, right? We can't just choose to go high growth or low growth, right?

So this framework and the foundation of this framework and the start of this framework is a range of revenue growth. And we believe that the right range of revenue growth over the next several years is in that low 20s to mid-30s growth range. Today, we are in the high 20s to low 30s growth range. And should we be in this revenue growth range going forward, we will continue to manage to an average of margin -- a non-GAAP margin expansion of 350 basis points per year over the next several years over the medium term. Now I'll remind everyone again that remember, 2023, we look at still as a catch-up year in terms of margin. So this is -- should we be in this range, we would manage [through] this going forward.

So what could move us through this range, through the spectrum. What can move this down or what can move us up in this range. On the upside, we could continue to see catalysts for digitization in the construction industry. We could see -- continue to see economic tailwinds in the construction industry. So what are some of those examples.

A catalyst might be, we start to see that customers and construction companies are actually at a competitive disadvantage for not being digitized. They could start losing bids. And if you start to see that momentum start to build, it could move us up to that right.

The other in terms of the economic tailwinds we've talked about in our last couple of earnings calls, the bifurcation of our installed base of our existing customers with more expanding and more downgrading. A result of an economic tailwind maybe that we see a bigger portion of our customers start to expand, and that could push us into that range.

Now in this instance, we would be more aggressive about investing into that demand. But even though we would be more aggressive about investing into that demand, we would still improve our operating margins by roughly around 100 to 200 basis points on average per year over the medium term over the next few years. Now as CFO, I would need to see some pretty strong signals before investing in -- before aggressively investing. So what are some of those signals? I might need to see conversion rates go up. I might need to see conversion through the pipeline be faster. I might need to see stronger conviction from the go-to-market and sales organization to commit to higher bookings. I might need to see momentum in our cross-sell across the products that we offer across the construction life cycle. So those are just a few examples.

Now what could push us to the left to the low 20s growth range? Well, we could see tighter financing environments from interest rate fluctuations. We could see further macro deterioration. So what is an example of that? We might start to see -- we talked about a cohort of our customers showing some cautiousness about their business, which resulted in them committing to less volume and lower terms. If the macro environment continues to deteriorate, we could see that cautiousness increase, which could push us into that lower 20s growth range. In this case, we would be aggressive about driving efficiency. And we would increase on average our non-GAAP operating margins at a faster clip on average, roughly around 500 to 600 basis points per year over the next few years in the medium term.

What I'm basically saying here is if demand isn't there and demand pulls back, we will pull back on spending. We will make different capital allocation decisions if we were in that scenario.

Now we've already talked about at the last earnings call, our free cash flow will be positive this year. Now throughout this entire range, you can expect that our free cash flow margin will roughly be in line with improvements in our non-GAAP operating margin. But let's talk about GAAP operating margin.

We expect this to increase at a faster clip than non-GAAP operating margin. And why? The reason is because we are committed to driving leverage in our SBC. Essentially, we are committed to grow SBC at a lower pace than our revenue. And this isn't something that's new. It's something that we have started already this year being more intentional about how and where we deploy our equity to attract and retain talent.

Which brings me to share count dilution. So we all know that SBC is a lagging indicator. And in order for us to manage our SBC going forward, we have to manage our dilution today. And in this entire spectrum, we expect to manage our dilution rate somewhere in the low to very low single digits. And where we sit in this spectrum is going to depend on where we are in this revenue range.

So for example, if we are in the mid-30s growth range, that will invariably require us to have more capacity and more resources and those resources may require us to distribute more equity. On the flip side, if we are in the low 20s growth range, the opposite is true, we'll likely need less capacity and less resources, and that will also impact the amount of equity that we need to distribute.

So why am I sharing this framework with you today? Well, I'm sharing this framework with you today because even though we can't predict what those cycles are, we can tell you how we will manage through those cycles. We've showed you how we have managed through those cycles historically, and this framework is how we will manage those cycle through those cycles going forward, all the while improving our margins and managing our dilution appropriately. And the result of executing and operating within this framework, Remember, it's a framework, not guidance, not a menu. And the result of executing within this framework is that we expect free cash flow per share to continuously increase in compound over this entire spectrum in all these scenarios.

So we view free cash flow per share as kind of our financial North Star metric, so to speak. We believe that this is the best reflection of the financial health of Procore. Think about free cash flow per share as a Capstone metric that encompasses everything that I just talked about in that framework. So let's bring this back to my priorities as a CFO and how I think about those priorities impacting free cash flow per share.

For capital allocation, this is really about decisions that we make to deploy our capital to the highest ROI areas. So when you think back to the construction life cycle that Wyatt showed. How do we think about where to put our dollars such that it gives us the highest ROI. And in fact, if we deploy our dollars to the highest ROI across that construction life cycle, it actually is the best way to bring value to our customers through our products. Another example is how do we think about using our cash and our equity, deploying those for organic or inorganic investments.

For organic investments that might be, how do we think about the distribution of cash and equity to attract and retain talent. For inorganic investments, it's about how do we think about using cash and equity for M&A.

In terms of operational excellence, this is really about driving leverage in all 3 lines of our OpEx. So for sales and marketing, we want to lower CAC. But it's not just about lowering overall CAC. It's about how do we think about the distribution of CAC across different parts of the business. So how do we think about the balance of high-growth, low-growth areas and high CAC and low CAC areas? Think U.S., non-U.S., Think about the different segments that we operate in. Think about the different stakeholders that we serve in the industry. You heard Steve talk about earlier the modernization of our platform and how that's going to drive efficiencies in our platform capabilities. For G&A, it will be about scaling via automation and looking at the potential of low-cost service centers.

Now another example across all of these lines is how do we think about our location strategy? How do we think about where our resources are located and where we hire our resources. If we start to think about resourcing and lower-cost geos, that's going to impact our OpEx, but even a more important impact is on SBC and dilution just from the expectation, the lower expectation of equity in markets that are outside of the U.S.

And then finally, for growth and monetization. I've already talked about the near-term, medium-term and potential long-term growth drivers. But monetization is really about optimizing the investments across product, and R&D and aligning that to our go-to-market investments and go-to-market motions and making sure that those are aligned in a way and sequenced in a way such that we most effectively bring value to our customers via our products.

So we're tied to an industry that is going to go through cycles. We can't predict what those cycles are, but we can tell you how we will manage through those cycles, all the while continuing to increase shareholder value, deliver shareholder value. And the way that we plan to do this is by managing to our Capstone metric or our financial North Star, which is to continuously increase and compound free cash flow per share.

So with that, let's take a short break, and then we will reconvene for Q&A. Thank you.

(Break)

Matthew Puljiz^ Hi [Bill, Meg]. Is this on?

Unidentified Speaker^ Are we on?

QUESTION & ANSWER:

Matthew Puljiz^ Okay. So we'll have the normal story. We'll have a couple of mics here, [Kat] and [Ivy] over here to my right. We'll be manning the aisles and then for those of you on the webcast, we do have a teammate, Vivian. She's going to be tracking the questions submitted online. And so we'll try to include you all as well. So who would like to go first? Jason raised his hand first. So I'm going to give -- let's give them the conch here and make sure we're sitting up otherwise, [Su's] will get mad at us.

Unidentified Speaker^ Yes, that's right. Posture.

Jason Celino^ I guess I'll start with an easy one, maybe I don't know. Jason Celino from Human Capital Markets. So good information on the deep dives for pay and insurance think on the pay side, there is a 6- to 9-month volume ramp. If we think about the sales portion of it, would that focus be more on the typical software sales cycle of 6 to 9 months, and then the rest would be depending on the customer's ramp on piloting, et cetera?

Tooey Courtemanche^ I think that's the right framework to think about it. Yes.

Matthew Puljiz^ Yes, just to clarify, it was a 6- to 24- month paper volume -- but yes, that's fair. Sales cycle.

Jason Celino^ And then with the -- Howard, the margin framework, the good framework, nice bookends. When we think about the lower scenario is the most control you have on the sales and marketing side?

Unidentified Speaker^ Definitely on the sales and marketing side, and that's going to be the most directly tied to the demand environment that we see. So yes. But certainly, there's other areas throughout the company that we can continue to look at. I wouldn't limit it just to the -- Go-to-market side.

Matthew Puljiz^ Perfect. All right. Who's next? Mr. Bracelin here.

Brent Bracelin^ Brent Bracelin with Piper Sandler. I had kind of two AI related questions. One on the technology side, and then one on kind of the opportunity to use it to accelerate the opportunity in the paid versus collaborate opportunity. But on the tech side.

So you've talked about data and the value of the construction data, you think you guys disclosed what 11 petabytes of construction data now. But it also sounds like there was a pretty meaningful shift in pivot to unlock the value of that data what was the old architecture that what you were kind of based on 3 years ago? What is it today? As we think about CoPilot running out next year, Will the all 11 petabytes of construction data be accessible and in Azure and able to be powering copilot or is it going to be more of a transition? And then one quick follow-up.

Tooey Courtemanche^ Okay. So on the kind of the technical back end, I wouldn't focus on a lot of changes that have actually happened on the back end. The data is still in a database, right? It's also the kind of transition that you're noticing is we had a very big focus on how do we get the data to tell a story to our customers, right?

And so prior to all the stuff around Generative AI, it was strictly around how do we package the data in a way that the customers can do something with it. That was really our insights engine, that was how we did that. But with the advent of generative AI, it really unlocks a lot of potential. And the fact that our customers can have a natural conversation with the data.

Someone asked me yesterday, when is Procore going to -- allow me to have a conversation with my contract? Well, we have a partner, [Document Crunch] who's out there on the floor right now who does that. So it just changes the way you approach the data. So yes, we wouldn't focus on how we store the data or how the data is structured. I would focus more on the way that we're actually delivering the data.

Brent Bracelin^ Then the second question is 16 -- a little under 16,000 paid customers today, 520,000 nonpaying collaborators. There's a big gap there. Are there things you can do with AI and moving towards this conversational platform that can accelerate the paid versus collaborator or nonpaid customer base?

Tooey Courtemanche^ Yes, but I want to start off by saying we don't need AI to do that. I was actually getting miked up before the keynote, and you have this really awkward time before you walk out on stage where you're standing in a very dark hallway all by yourself. A guy with a tool bag walked up to me as an electrician, and he goes, "Hi, I just want to say good luck or whatever, and I'm like, well, thank you. And he goes, "I love your product. He goes, I'm in your product every single day. He goes, but I'm really excited about getting my own account, right? Because when I have my account, I don't have to download the drawings all the time and then work offline and do everything else. So doing the simple things like connectability you mean everybody a free PCN account is going to have a lot of leverage.

Now Yes, you can throw -- so my hope is, and I know this is part of the plan, is that we will throw conversations the mix. So now you're not only sharing data amongst your people that you're connected to accounts. But now you're actually having real-time live conversations across those accounts. You take all of that data. And once you can start, somebody said this the other day, and we refer to it as magic moments. But once you could start popping things up in people's interfaces and is actually making them have an aha moment, like, "Oh, wow, I didn't realize this about my job, but I didn't realize this about the drawings of looking at what with AI, that's when you win, I think. And so that's the excitement of the future. It's no longer just pulling up a PDF as a set of drawings. It's pulling up a live set of data and actually getting insights that just kind of blow your mind.

Matthew Puljiz^ Let's go [DJ] right there behind you.

DJ Hynes^ DJ Hynes from Canaccord. Tooey, I'd love to get your -- like most up-to-date thoughts on behavior you're seeing in the installed base. In Q1, you started to talk about these pockets of conservatism. It seemed to get more pronounced in Q2. Where are we today? Is it stable? Is it getting worse? Are the pockets that healthy customers are expanding, still outstripping that conservatism? Just kind of give us an update what to you're seeing.

Unidentified Speaker^ Do you want to?

Tooey Courtemanche^ Yes. So I'll start there. So there's nothing at this point that has that we can see that has changed significantly. But of course, we're moving into probably the biggest two weeks of our quarter towards the back end of the quarter. So we'll provide an update once we get to our last next earnings call. But so far, in terms of that mix and that bifurcation, we haven't seen any significant changes so far.

DJ Hynes^ Okay. And then maybe, Howard, while I have you, a follow-up. I just want to clarify something, I think you said in your presentation. So we got this kind of margin catch-up this year, there's nothing that prevents us from seeing that 350 basis points, assuming growth stays in the range next year.

Howard Fu^ Correct. So if we stay in that growth range going forward, that is what we will manage to. Now keep in mind, I said that that's not guidance, right? It's a framework. And remember that it's not guidance, but that framework also gives us enough flexibility to calibrate between what growth and margin looks like -- and also gives us the opportunity to really respond to any business conditions that we might see that are nuanced in any particular year. But that's the right way to think about it.

Matthew Puljiz^ Let's go Luv right here in the front row. Then Luv just hand the mic to Adam behind you when you're done.

Luv Sodha^ Awesome. Luv Sodha, Jefferies thank you again for hosting us. I wanted to ask a couple of quick ones on Procore Pay and the monetization there. Great to see the two plans that you laid out. But if on average, let's say, a customer is paying you, I don't know, 15 to 20 basis points today, how are you thinking of the incremental upside in terms of take rates over the medium to longer term?

Howard Fu^ I mean, look, we haven't -- we're still testing what those will look like depending on some of the stakeholders and the segments you heard Geoff and Wyatt both talk about depending on where the segments are, there's different pricing structures that might be more attractive to those stakeholders. So we're still really trying to determine what that looks like. I'm not going to tell you exactly what basis points is going to look like in terms of the GC [paywall], but that's how to think about it.

Tooey Courtemanche^ Well, and also, I would say that as excited as we are about adding [a monetize that] as we -- I think to Paul's point earlier, there are so many really interesting things that fall out of that, that's where the real excitement starts to ramp.

Luv Sodha^ Got it. And just a quick follow-up on the second model. So where you have the SCs paying as well. In that model, how should we think about the willingness of the SCs to pay? And there's another competitor in the market in texture. How does that -- your model compared to theirs?

Howard Fu^ Well, I mean, similarly, this is similar to -- let me jump in first. So this is similar to kind of what I talked about. When you look at why we have a choice for the GC in terms of those two decisions. The reason for that is because depending on what that segment or that stakeholder that you're looking at, there may be a different type of dynamic within that specific stakeholder that may push one of them towards one model versus another model. So that's kind of -- that's why we're testing this right now. So that's why it's a little bit -- we're offering two models there.

Matthew Puljiz^ I mean I'd just add like the subs are dealing with this today. So what you saw on those slides is not -- it's not a new model that they're not used to. So we're not expecting anything unique there.

Adam Borg^ Adam Borg with Stifel. Thanks so much for the time and for the great presentation today and the time with customers yesterday. I'll start with Procore Pay and then I have a follow-up as well. Obviously, given how manual this process is historically coupled with the complexities around rights management. It's pretty obvious if you're coming from spreadsheets or nothing, the advantage of Procore pay, right? But if you think about for customers that do have a competing solution outside of price, what's the wedge to get them to move?

Tooey Courtemanche^ Yes. So the only competing solutions, I know are [really point] solutions. They're not a full platform play. And I think Wyatt did such a good job of showing how getting paid as the last mile. But like that's just a very last step in a very long process goes all the way back to the bidding phase. And so nobody really wants to leave their current workflows, which Procore manage 90% of leave that to go to another system to go do something to come back to finish. And so I think that just simplicity of a single platform. And then you get all the benefits of being on the platform. You get the round tripping the data, you get all the insights that come out of it. I think it's -- I don't want to say no-brainer, but I do think being -- having one unified system manage all of your financials on the project level makes a ton of 10 sens.

Adam Borg^ Super helpful. Maybe just as a follow-up, just on the international opportunity, obviously, an area that you've talked about in the past. I guess you talked today Tooey about just a big opportunity internationally, of course, overall. What needs to be seen maybe for you, how to help really invest to -- what signals you need to see on the ground to help really determine the level of investments you go internationally?

Howard Fu^ Yes, some of this -- Well, the first thing is we recognized that there were some missteps historically in terms of how we entered some of these international markets. And I think the space that we're in right now is in a space where we're likely going to invest behind versus invest ahead to see some of those signals. I know we talked a little bit about that last night.

In terms of some of the signals that we're seeing, you heard from Wyatt that we're making progress in specific markets, for example, around Procore document management on the product side. And we've now, since the beginning of the year, continue to make progress in terms of making sure our motions are right for the stage of the markets that we're in and getting in place. What I would need to see some progress of matching between, let's say, our delivery on the product side with the motions that we're putting in place on the go-to-market side and starting to see some momentum from those -- from that integration and maybe we start to see some pickups in terms of conversions or things like that. So that's exactly what I was referring to in terms of that monetization piece, making sure that that's a focus for everybody as we think about these decisions, and that applies to international as well.

Tooey Courtemanche^ There's one more that I want to add, which is, as we see globally, these -- the largest companies in the world specking Procore and the owners for all GCs to use. I had a conversation with one of the largest GCs in the U.S. a couple of nights ago. They are a small player and a very large global consortium of construction companies. Those CIOs got together recently. And the number one topic according to this gentleman was they can't go into any regional market in any corner of the world without having the major data center owners writing Procore into the specs. So that -- when you see owners on a global scale, putting us in, that is a good indication of where to lean.

Matthew Puljiz^ Do you want to go right here? Let's try this side of the isle. No pressure.

Luke Mott^ Luke Mott from Wolfe Research. A couple for you, Howard, on the guidance or not guidance the [frame]. I guess, though, just wondering, is that kind of a framework for how we should be thinking about your plan to guide your plan for how you'll end the year this year? Or how should we be thinking about those growth ranges?

Howard Fu^ Like the way to think about that is exactly what I talked about. It is a framework and it does again give us the flexibility to calibrate and to respond to business environments. Now remember that guidance is kind of a different type of expectations and motions. For several quarters now, we've been very clear that we are quite conservative in terms of what we guide and how we guide. And every time we guide, it is something that we have very high conviction that we will be able to overachieve on.

Now you can match that up to kind of how we would operate within that framework, but it's kind of a different promotion than guidance. That's why I wanted to make sure that it's separate. So we haven't -- we're not -- we don't plan to change our guidance philosophy yet going forward. It's still going to be something that we have high conviction that we can outperform.

Luke Mott^ Great. And just a follow-up to that would be given this bifurcation dynamic, if you see this continue, where do you think you land on the range of that framework? Or how does that impact?

Howard Fu^ It depends. So the first thing is what I talked about in the last earnings call is that, that bifurcation of where that's coming from is from the proportion of customers that may have historically renewed flat, and so that is getting lower. And the reason that -- and when they start to bifurcate it increases that beta and that risk profile in the installed base.

So when you ask me, like, where do I think it's going to go. Great question. I wish I right? But what could push us to the top end or the low end of that is if that mix starts to shift into more expansion or more downgrades. And like I said before, we've got probably the most important 2 weeks of the quarter left over the next couple of weeks. And in terms of that mix right now, we haven't seen anything that's significantly different, but the last 2 weeks are pretty important.

Matthew Puljiz^ Do you want to go right here in the front row?

Unidentified Participant^ Jacob here from Goldman doing my best to fill in for [Kash].

Matthew Puljiz^ Are you going to sing?

Unidentified Participant^ I'm not going to say -- I don't have the hair, so I apologize. Two questions. So you laid out a financial framework, not guidance, but have also announced in detail some newer products around like pay and fintech. So what is your approach around balancing the need to invest in those products and capturing those markets while on seeing like margin expansion?

And then the second part would be around the newer products with an fintech. It was noted that you maybe want to take a slower approach to these products, but can you outline like what are the risks and rewards around like going slow versus going fast just trying to understand that dynamic.

Howard Fu^ Let me answer the first part of that in terms of how you think about the investments and making sure also working within our framework and the margin trajectory. I think this is a good example of what I was referring to in terms of the sequencing of our investments, right? The sequencing across that construction life cycle, the sequencing of matching the investments into our go-to-market such that we can get the immediate ROI from this. And so that's important because if we flip the switch and turned on the availability of all these products today, we would still need a ramp time to get these products then digested into our customers and getting their customers get value from these products. And so if we did that, it would require a tremendous amount of investment in resources. And that would completely blow out our trajectory and our margin profile before the returns are realized. And so that's just a very extreme example of how I think about making sure that the investments that we make and product are aligned with go-to-market and frankly, aligned with all the other OpEx lines as well to make sure that the returns are sequencing a way that we continuously on an upward trajectory, both on revenue and margin expansion.

Tooey Courtemanche^ Can I take the [slow]? I really do want to recast that. You have to think of these as Series A investments. The teams that are working on this is they're going a million miles an hour, really. So that's not like they're a slow machine. We're just trying to be more methodical, right? Because we do serve lots of different customers -- stakeholders in different segments and different geos. And we want to make sure that we fully understand what their needs are and their prioritized needs are. And a lot of times, a customer will tell you that their primary need is x but when you actually watch them do their work, you realize that it's actually not that. And if we over-index on x, we're going to miss the mark. And so we've learned over the years to run fast and learn as much as we can but don't spread ourselves so thin that we're trying to race and chase the dollar in the beginning.

If we can chase to win the hearts and minds because we understand very, very clearly what the needs are, then we actually then pour the fuel on the fire and go. It's just a more mature -- it's a very mature Series A, I guess, is the way I would put it. Thanks to Paul.

Matthew Puljiz^ Should we go Nick over here. Nick, other side.

Nick Altmann^ Nick Altmann from Scotiabank here. With some of the newer products, Procore pay, materials financing, I believe it requires customers to sort of have adopted other of the core software modules, invoicing financials, et cetera. So how should we think about sort of the pull-through opportunity there? With customers sort of needing to adopt other modules before they adopt PRO Corp? And then just secondly, how much of a focus is that right now from a go-to-market perspective, sort of selling those needed modules into the installed base sort of prior to leading with some of these other new fintech offerings?

Tooey Courtemanche^ I'll take the first piece. Just to be clear, you don't actually have to use our product line today to be a material finance customer. Clearly, we are talking to our customers who are using our product. But it's -- there's no requirement to be using our platform to benefit from that solution.

Matthew Puljiz^ But your question is spot on for Pay, though like we would require for invoices, [so you want to exactly cross-sell]?

Howard Fu^ Well, the financial suite, and there's many products under that financials umbrella is definitely a significant focus for us and for the go-to-market organization. We have found that customers that actually buy and implement financials become very sticky, and that adds a tremendous amount of value to our customers and therefore tremendous opportunity for us to continue to cross-sell and expand.

Now to Tooey's point, it's kind of Series A in terms of how we roll this out in terms of the focus from the sales organization and the go-to-market organization today. I actually don't want to divert their attention too much from what's doing in front of us and still monetizable in front of us. And should we start to see some of these signals, then we can start to then slowly integrate that into our go-to-market motions but I don't want to spread folks too thin at this point. And I just want to make sure that, that's something that we're very deliberate about.

Matthew Puljiz^ All right. Who's next? Maybe you want to get Dylan over here?

Dylan Becker^ Thank you. Dylan Becker, William Blair. I appreciate all the content today. Maybe kind of building off a similar format of the last question as it pertains to insurance Tooey. Are you seeing lending standards and structure incentivizing that initiative to -- if you're seeing more surety bonds, more coverage on the insurance component that's incentivizing them to say, "Hi, I got to rethink this motion. And for those that are kicking the can down the road saying, I'm working with my best friend, are you seeing that level of incentive to, hey, utilize the platform more so we can scale that data when you see a new project come up, so we can be more effective to capitalize at that point in time?

Tooey Courtemanche^ On The second part of the question, yes. We -- well, we've just kind of put this these learnings to work for us. But I'm certain with the conversations I'm having with our team is that PRA team, which is when they're able to say, like, look, the more engaged you are on the platform, the better rates you're going to get, that really resonates.

You've got to remember the folks that we're talking to are running single, like 2 or 3 percentage gross margin businesses. So any dollar that they can save as well kind of looked for. But again, there's the reluctance -- that's actually one of the things that Paul, I see Paul is going to grab the mic here a sec, but that's one of the things that really perplexes us is that to show somebody a huge savings we can provide them and have them kind of defer it for a later date because they don't want to disrupt the relationship while they're running the low-margin business is still a little bit of a head scratcher.

Paul Lyandres^ And then I'll quickly touch on the first one because it's a bit nuance. For those of you who don't quite live in insurance the way I do these days, surety and insurance are not the same. So when we talk about surety, surety is this interesting where it's really a protection for the contractor to ensure that if someone goes out of (inaudible) or actually the owner, sorry, if the general contractor goes out of business that the insurance company is going to fund completing project. And so that is something that almost every government, every infrastructure project for buyers, and that's where as that becomes a bigger share of investment, it is becoming a bigger problem for contractors. These insurance companies essentially treat them like a bank they underwrite them, they look at their financials, they do everything to decide and you handle this work. And that's where they get back to working capital being a problem. All of these start to come back together for why you see growth in infrastructure, and it creates a new set of complications for our customers that we can help solve.

Dylan Becker^ Okay. Got it. Super helpful. And then Howard, on the operational efficiency side, you called out sales and marketing have the most like potential for leverage. Obviously, a lot of segmentation today. There's a lot of collaborators, but we can think about stakeholders, size, geography, maybe more horizontal than what we're used to seeing from a vertical model as it sits today. But as you talk about those network dynamics coming into play, how do you think about bridging the gap around kind of steady-state sales efficiency from maybe more of a horizontal structure to more of a typical kind of verticalized motion, if that makes sense?

Howard Fu^ I'm not sure -- I'm going to try and answer -- let me answer the question and see if I see if I get your reference to the horizontal piece. I think that as we think about the different components and the information that we're getting through our data about how large global GCs behave, who they work with how our collaborators behave. I think there's opportunity there to get efficiency in terms of just being more specific in pinpoint versus a shotgun effect of how we can then design our go-to-market motion.

So I think somebody else asked a question earlier about the 520,000 collaborators. If we have intelligence about what that engagement looks like, we can then pinpoint our resources to the parts that we think are going to be most lucrative and have the highest ROI. So that's an example of what we can continue to do to drive that leverage and how that ties back to some of the strategies that you heard today is what I'm referencing about focusing on those large-scale GCs, that's also an example of a network that we could see.

That's maybe -- that's tied back to the collaborators but also even beyond collaborators for existing customers for opportunities to continue to expand.

Matthew Puljiz^ Do you want to just hand it -- did you have a question, Matt? Let's get a 2 for 1 here.

Matt Broome^ Matt Broome, Mizuho. So I guess just in terms of the TAM discussion, you raised your U.S. TAM by quite a significant amount versus last year. I'd just like to get a bit more color. Is that just because of Procore Pay and more sort of stakeholders being addressed? Or what's really going into those assumptions?

Matthew Puljiz^ Yes. So when we did this 10 months ago, 2022 wasn't over yet. And so we were using Q3 data through the U.S. census and last Q4 was quite a good quarter for the industry. And so this is just a refined final 2022 number. That's really the big difference for U.S. We did not contemplate paying that at all in that equation.

Matt Broome^ Okay. And then just curious how you're thinking about the infrastructure opportunity specifically? And does the acquisition of Unearth sort of signal an intent to sort of invest other in that area?

Tooey Courtemanche^ Well, I would look at it, we definitely have intent on investing in Civil, which does infrastructure. So our customers tend to run a mixed portfolio. So not only will they do vertical high-rise or whatever they're working on that doesn't have a lot of self-perform, but they'll also do some form of civil work. In fact, there's a lot of clean energy work that's going on right now through the inflation Reduction Act and the funds that are coming out of that.

So we are very intentionally trying to satisfy the needs of our customers around how they manage self-perform. Now Unearth is kind of a twofer for that, right, which is in the civil world, yes, geo-location is really important, right? But in vertical construction is super important, too. I always say like when you think about a construction project, it's easy to think academically at Procore with a list of RFIs or a list of submittals or a list of bunch lists.

That's not the way that the person in the field thinks. They walk into mechanical room 7 on the fourth floor, and they want to know every single observation, every single punch list every single [submittal] around that location. Everything is location-based in construction regardless of the vertical or horizontal. So that's why it's kind of a twofer. But yes, we definitely are continuing to try to do more for our civil customers.

Howard Fu^ Just to be clear, we can our products can serve the civil -- Market today.

Tooey Courtemanche^ Yes. This is making it even more powerful.

Matthew Puljiz^ All right, who's next... Second. All right. We might be done early.

Brent Bracelin^ Brent Bracelin, Piper Sandler. I want to go back to the margin framework under the context of international. And I think about international 2, 3 years ago, some pretty meaningful fixed costs to expand internationally if I think about the 350 basis point margin expansion, is that contemplating additional international markets or a bigger focus on the existing big 3? You guys talked about the big 3 markets. My back of the envelope math suggests you could probably get to $2 billion of revenue just in those 3 markets that you're in right now at 20% market share. So what is the what's contemplated international and international expansion into the margin expansion?

Howard Fu^ Yes. So I'll separate the top line from the margin piece. So for the margin piece, that framework actually doesn't incorporate the evolution of the international markets that are early on in terms of some of the efficiencies that we would see in those markets as they continue to evolve, okay? So from a top line standpoint, though, again, depending on that framework isn't necessarily about a specific component that says we get to choose to be in that upper end or the lower end.

It's really about the overall market and the cyclicality. And if we see that the macroeconomic environment, not just in the U.S. but globally, facilitate something where we can grow faster, we will invest into that. And then obviously, as the further along that the markets go, the more efficient that we're going to get. And part of what I think about in that operational efficiency phase is how to balance that, right, to make sure that overall efficiency continues to improve.

Tooey Courtemanche^ From a business perspective, we are definitely believing in focus. We think that those markets -- we've done obviously the same work you have. Those markets have so much potential, and we're there, and our brand is getting bigger and bigger every single day. So focus matters. And so yes, you'll see us doing much more focus on expansion.

Matthew Puljiz^ Who's next here?

We welcome questions from the buy side as well, just to be clear...

Unidentified Participant^ Just wanted to ask -- obviously, you're making all these investments on the fintech side. Has -- and how do you think about the focus on core innovation within your platform? And does the fact that you're investing more on the fintech side mean that you're taking some away from there? Or is it still a priority?

Tooey Courtemanche^ We are not bartering from Peter to pay Paul. We are very focused on our investment strategy with the limited resources that we have. I will say, I don't know if Steve Davis has left it. He can go on and on about he's back there. Maybe we can get them the mic. But the platform is a big area of focus. And it's interesting with the platform. Platform doesn't normally show up as a feature in the product that people are like, "Yes, yes, thank you for spending those dollars. But it really does drive our ability to actually increase our efficiency, be more productive and move faster.

Steve Davis^ I'll just add, I mean, one of Paul's comments was that we're rendered at as a venture bet. One of the benefits of having a platform mindset and the platform to build on is a lot of these foundational services they get for free. So the amount of focus we put on fintech is relative to just driving the value in proving other thesis. They're getting literally the benefits of our platform for free across the board, whether it's our search, our back-end platforms, our ability to scale our authentication, all those things are spun up pretty quickly. And then we're just focused on iterating and test. It's a test and learn approach that they're executing on. So we truly run a venture lab approach that's pretty cost-effective as we kind of iterate and test these ideas out.

Tooey Courtemanche^ Yes, back from the borrower from Peter's PayPal, the more that we can get the platform to the place we want it, the less we have to spend on these like kind of more bespoke things. So it really is a fine balance.

Matthew Puljiz^ Any other questions? -- you've got to raise your hand high on that in -- and see you there.

Unidentified Participant^ Any changes to competitive dynamics or win rates, particularly maybe within pre-construction?

Tooey Courtemanche^ None to point out.

Howard Fu^ Yes. There's nothing systematically from the competitive dynamics that we've seen. Those have remained fairly stable.

Matthew Puljiz^ Pretty boring story for us.

Tooey Courtemanche^ I wish I could add more than make it...

Matthew Puljiz^ I've been here 2.5 years, it hasn't really changed much. Let's go these friends from down under here...

Tooey Courtemanche^ Yes.

Unidentified Participant^ Tooey, it'd be great just to hear from you talked a lot about connectability yesterday and hearing it from you today and even that anecdote about the contract you're talking to you before coming on stage. Just to be, I guess, a bit clearer from us on the outside kind of practically, what are the tangible things you think that may improve that contract on a day-to-day basis in terms of his experience in [Procore] magnitude of that experience would be very helpful.

Tooey Courtemanche^ So yes, so let's take an electrical subcontractor, for instance, right? Most of the ones that we work with are running many, many jobs. In some cases, hundreds and in some cases, thousands. We have a drywall contractor, I think that runs 50,000 concurrent projects, right? At any given time, let's just say one of the field workers is going to be going between different jobs. That person is going to be downloading drawings from 3 separate Procore accounts and then hoping that they're getting the latest updates. And now where are they storing them.

They're probably storing them in their desktop in the folder, right? So there's a high propensity for them and a lot of pain associated with their propensity for making a mistake. And so there's a lot of pain associated with sinking those manually for them. So this is a game changer. This brings all of the projects that they're working on strides into one location, automatically with all the latest updates automatically. They don't have to navigate into each one of those separate accounts in order to check on the data. And so they basically get everything they need, plus the ability when they become a Procore customer to also mark up those drawings themselves and be able to do actionable items like resource management and everything else, like which crews are going to go to which jobs. So huge improvement to just overall usability just on that front.

Will Jellison^ This is Will Jellison from D.A. Davidson. I was thinking with respect to the capital allocation framework with plenty of cash on the balance sheet currently with positive free cash flow expected this year and for the foreseeable future as well. I can't help but wonder about share repurchases as part of that framework as well. And to the extent that it's part of your playbook for now and understood if it's not, but if it is, how would you approach making those types of capital allocations?

Howard Fu^ So it's not part of our playbook right now. The way that we would approach it is just like any other way that we would deploy our capital to make sure that we get the best returns. When I talk about that capital allocation between cash versus equity, that's another dimension that we would think about in terms of whether or not we wanted to do a share of repurchase that would maximize shareholder return. And at this point, it's not in our playbook right now because we believe that, that capital can be deployed elsewhere to get the returns that we think is better.

Matthew Puljiz^ I hope you don't have to talk about that because that means the stock dropped quite a bit. We wouldn't do it just to offset dilution. That's craziness. All right, who's next. Nick.

Nick Altmann^ Awesome. Nick Altmann from Scotiabank. Earlier, you guys had said you had sort of beta tested Procore Pay with, I think, 2 dozen GCs, and you said there's a handful of GCs who are in the midst of adopting or becoming paying customers now. I guess first, can you just speak to like the scope, the size of the GCs, -- are these some of your biggest customers and can kind of prove that the product can scale?

And then secondly, earlier, you guys had sort of talked about there are sort of 2 different TAMs you're going after on the payment side of the equation, sort of vertical displacement and then sort of greenfield or sort of manual Excel spreadsheets, et cetera. For those customers that are adopting Procore Pays, paying customers, are they displacing more of the former in terms of another vertical player? Or is it more kind of the latter?

Tooey Courtemanche^ So on the first question, we intentionally have small, medium and large in our -- in the group of customers that we're talking to. I personally tend to talk to some of our bigger customers. They are very excited about this. The installed software that we would be displacing is primarily Textura is a good example. Their primary focus has been at the very upper end of the market. So you would see more displacement of installed software at the upper end. The Textura did not have a lot of mid-market and -- I'm sure no SMB customers out there. So that's -- I think that's the distribution, as you see it more at the upper end.

Matthew Puljiz^ Let's go to actually Vivian next. We've got some questions online.

Vivian Wu^ Right. One from the virtual webcast. How has multiproduct adoption looked since what we disclosed last year?

Howard Fu^ Multiproduct -- Look, the -- you have to remember, most of our products, a lot of our products outside of our core project execution is still fairly early on in terms of the evolution. So most of the products that our customers typically take on is still going to be in that project management, quality, safety and then with financials being the next largest one in terms of the evolution of the product adoption across our customers.

In terms of the adoption of the other components, we continue to make progress there. But I think you can see -- I think you saw from the presentation that why it put up the different pain points and the different pain points that we're trying to solve.

And those are still in progress. But in terms of what we shared in terms of what that adoption looks like, the mix hasn't changed much yet, but we're still making progress across both, for example, the workforce management component as well as the precon component across that entire construction life cycle.

Vivian Wu^ Thank you.

Matthew Puljiz^ Let's go to Adam right here -- thank you, Adam. I got this guy for 15 more minutes before I got to let them go. So take advantage of it.

Adam Borg^ Yes. Awesome. Thanks again, Adam Borg, Stifel. A lot of vendors are introducing some Copilot like capabilities, and we've heard things about pricing from some of the vendors. I know obviously, the project -- product was just announced and will take over the next year to come to GA, how are we thinking about pricing?

Tooey Courtemanche^ Can I take the first part -- we really do -- so the cool thing about Copilot is I don't think we've even fully realized what we can actually do with it, right? The first things that we're talking about doing that are really exciting to see are kind of mind blowing, but I think it's just scratching the surface. So the way Procore approaches anything is that we test the markets, and we want to see what people value the most. Before we throw a monetization strategy behind it. We want to get adoption rolling, and we going to fully understand what we're doing before we put together something more formal. But do you want to add...

Howard Fu^ Yes. I mean very consistent, right. Look, this is still pretty early on. I mean we talked about we're still kind of figuring out the specific applications of this. But the thing that we can tell you is we are excited about it, and we do believe that there is significant monetization potential there. What we don't know yet is or we haven't shared yet is what that's going to look like and what the specific pricing is going to look like. So...

Unidentified Participant^ Just wondering if you guys could provide a couple of anecdotes about how maybe the culture at Procore has changed over the past 5 or 6 years, anecdotes may indicate it has changed or it hasn't. And just a little color on some of the health of Procore as a destination for new candidates and people join the company. So anecdotes like application to acceptance ratios and things like that. I think those are kind of fun and interesting even for shareholders that better understand.

Tooey Courtemanche^ I love the question. I'm -- one of the things I'm most proud of at Procore is to be involved in a company that has such an amazing culture. We have -- it's probably our biggest asset as far as I'm concerned. It helps us retain obviously, the talent that we have drives engagement. It does all the things that you would expect it to do. It doesn't come cheap or easy.

We spend a lot of time and energy on making sure some of the things that really are impactful for Procore, all the way to the employee experience, is that we hire every employee through a certain set of value questions. Do they follow our values? Do they -- are they values-driven people? So just because you're really good at your job doesn't mean you're going to get a job at Procore and because we've been really, really kind of stringent upon those guidelines, we have an amazingly strong culture.

And the thing that's interesting about culture is cultures don't tend to change rapidly. They tend to grow and develop or shrink and decay. I have only seen Procore's culture grow and develop and where that comes from a lot is, frankly, from new regions, M&A, bringing in new pockets of people that bring in a new perspective that enhances the culture you've already built. In terms of the retention metrics and all, I don't know if we...

Howard Fu^ Maybe I can talk a little bit qualitatively about this. I mean you've heard me mention a couple of times now, how we have been very intentional about the resources and the people that we bring on board. And part of what becomes an offshoot of that is to be very deliberate about the types of individuals that joined Procore that can be successful here. And a good amount of our hires that we do make is from referrals. And so that's one way to look at how we bring resources in, in this environment.

The other piece to look at is also our attrition rates for our employees are actually quite low right now. And that's not specifically in too unique. But when you comparatively look at where we have been over the last several quarters or several years, the attrition right now is extremely low for us. That means I mean I'm not going to -- I can't -- I'm not going to share with you a specific number. But if you look at the industry average and people probably know better the industry average is probably around in the tech industry, close to 20%, something like that.

Tooey Courtemanche^ I'm looking at (inaudible), whats the Average.

Unidentified Speaker^ Yes. Well, we are well below that.

Matthew Puljiz^ The average person in technology spends 5 years at a company on average. So we're well below that.

Tooey Courtemanche^ Thank you for the question. I appreciate that.

Matthew Puljiz^ Let's go Jason here.

Jason Celino^ Sure. One question on kind of the pay pricing for the standard model when we think about the subscription, not necessarily the uplift, but the terms for it, would that be -- like if we were going to think about it in terms of like other modules, you sell, like what magnitude where what might that fall? And then if there is that basis point component with the recurring fee, would there be different tiers of discounting the more volume you do?

Howard Fu^ I think we answered something similar over here. And yes, it would be for the GC pay model, it would be similar to a basis points of the volume that runs through. There will likely be tiers. We don't have specifics about what those are going to be right now. For example, we're still in this 24 very selective customers that are in this initial phase. And those are some of the things that we'll figure out as we go along. But structurally, yes, we will have -- likely have some tiers...

Matthew Puljiz^ It will probably be price very similar to like the other financials products where it sits along... It can end early.

Tooey Courtemanche^ All right. I love it when we've answered every...

Howard Fu^ Every question.

Matthew Puljiz^ Let's do some housekeeping.

So the slides will be on the website in about a couple of hours. Is that right? Yes. Okay. You have permission to use them for your notes if you'd like. So that should be all set.

Vivian and I will hang out here. I know he's got to run to a customer session. So if you have any questions you want to ask them private, you can do that as well. And then before we end, I just want to thank (inaudible) one more time. I think today is sort of 2-year anniversary here.

Unidentified Speaker^ Happy anniversary, (inaudible).

Tooey Courtemanche^ That's pretty good. And I also just want to say thank you both to the analysts and also the buy-side folks that are here. It's great to see all these friendly faces. I couldn't be more excited.

As much as I want to be in this room with you all, I want you all to get out there as much as I want to get out there just to really get a sense of what we're all about because you can hear us talking about the business all day long, but no one talks about Procore better than our end users.

So again, thank you guys for making the trip to Chicago. Great to see everybody.

And yes. Enjoy the show.

Howard Fu^ Thanks, everyone.