Procore Technologies, Inc. NYSE:PCOR

Analyst/Investor Day

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Table of Contents

Call Participants

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Presentation

Alexandra Geller

Hi, everyone, and welcome to Procore's 2024 Investor Day. This is such a packed room. It's so great to see so many familiar faces. So thank you to those of you who made the trip all the way out to Denver. We so appreciate it. And I also want to extend a warm welcome to those of you who are joining us virtually on today's webcast.

We have a really full half day plan for you. And what we're going to do is take it back to the basics. So you're going to hear about who Procore is and how we came to be the clear leader in construction technology. You're going to hear about our market opportunity and how we intend to capitalize on our growth levers for further attach in a very large and underpenetrated market. You're going to hear more about our go-to-market transition and why we believe these changes will enable us to be better positioned for both durable and efficient growth. And speaking of efficient growth, you're going to hear more about our commitment to margin expansion.

You're also going to get to see the power of the Procore platform with some real-world examples of the very exciting product innovations that we announced yesterday. You're also going to get to hear from a Procore customer, an enterprise specialty contractor. Throughout the course of the day, you're going to get to hear from many Procore leaders, both our leadership team and our extended leadership team.

And at the end of the day, we're going to bring on some of our C-suite leaders for a Q&A session. So I do ask that you please hold all of your questions until the end of the day. For those of you who are joining virtually feel free to submit questions throughout. We will be monitoring that. So please bear with me as I touch on the highlights of our safe harbor.

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, November 21, 2024. 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. Our presentation will be made available at the conclusion of today's event.

And with that, I think we can get started with our main event. So please join me in welcoming Tooey Courtemanche, Founder and CEO.

Craig F. Courtemanche
Founder, Chairman, CEO & President

Thank you so, so much. I appreciate it. Is the mic on? Can you all hear me? All right.

Well, first and foremost, who's having a great time at Groundbreak? Okay. If I could see you, I would love to see a show of hands of how many people have actually talked to customers?

Well, so that is why we punish ourselves by holding our Investor Day at Groundbreak every year. It is really important for us to get you all to hear directly firsthand from our customers why Procore is the clear market leader, why the industry chooses us and why they believe we're going to win. So I just wanted to say I'm grateful that you all get to see it firsthand and you don't just have to hear it from me every time. So with that, we're going to dive in.

We're going to talk about three themes today. I mean, it's going to -- we're going to keep it pretty simple. And speaking of simple, the very first theme is probably the easiest one of all is that the industry that we serve is massive. And we know that there has -- there is a tremendous amount of opportunity for durable long-term growth.

Second is that Procore is the leader in construction technology, and I say that with a lot of confidence and pride. We will win and we will continue to win because of how we deliver our partnership and we deliver value to our customers. So their success is going to drive our success, and that's been true since day 1.

And then finally, I want you to hear this very, very clearly. I am committed to efficient growth, and I'm also committed to improving our per share metrics. It's something that I'm very passionate about, and we work on every single day.

Now we are stepping on the gas because we see this amazing opportunity ahead of us, and we know that it's ours for the taking. So we're going to dive in with a little construction 101. So many of you have heard me do this before, but I just want to make sure everybody has the foundation, right? So the construction industry is burdened with significant amounts of risk. It's a risk business. And it all starts with the fact that every project in the world is a prototype.

Okay. So unlike the products that get produced in manufacturing, where you actually can go from repetition to optimization, in construction, every project is unique. So every project has different requirements. It has different stakeholders, and it has a different environment. So think about that. The factory floor in construction is dirt. You have no idea what you're going to be getting into every single time you show up on the first day on the project, and that is true for every project.

And the nature of construction often means that the folks that are working together on the project have never worked together as a team before. And this leads to some very unfortunate outcomes like a ton of miscommunication. A ton of mistakes and significant inefficiencies that happen every single day. And don't forget, construction generates a colossal amount of data, which can be very confusing to all of the project stakeholders.

So miscommunication during handoffs between owners and architects and engineers and general contractors and specialty contractors and suppliers, they happen every single day and they can result in costly mistakes. So these handoffs happen so often and every single day, it adds a lot of risk to construction. And given the industry's traditional low margin profile, even a single mistake where somebody is building off the wrong piece of information can lead to catastrophic consequences. And in many cases, all too often insolvency. And trust me, it happens in this industry all the time.

Okay. So in the early days, our customers looked at Procore as being their risk management solution. And what I mean by that was, they came to Procore because they felt like if we could help them avoid one costly mistake, we can help them from going out of business. And today, that's very true. Our customers look at us for risk management, but they also use us and rely on our platform to run their entire businesses. It's a completely different game.

So by connecting all stakeholders on a global platform, we hope to achieve four goals. One is enhancing productivity. And when our customers talk to us, they talk to us about productivity because there is a massive labor shortage and the more that we can do to help them with that, the better.

The second is ensuring timely progress -- project completion. That's basically schedule. Time is money in construction, we help with that. Maintaining budget integrity, of course, you're going to win or lose based on how you manage your budget. And probably most important to me is that we provide the tools to help our customers with safety, to enable their teams to get home from the job site every single day safely. Okay. So ultimately, our vision to improve the lives of everybody in construction is fostered by our goal to connect and make a more efficient industry.

So I want to say that we've been on this journey for 22 years. You can see it in the gray hair that I carry with me all along. And I really do understand this industry. And hopefully, you all are getting a better understanding of it as well. And it's the industry that I am deeply passionate about. So our mission and vision has served as a guiding light through some tough times. I'll tell you over the last 22 years, we've had our fair share. But over the past 22 years, we faced challenges like the impact of COVID-19, which was devastating to all industries, but really, really hard on construction or the global financial crisis. And I'm going to drill in on the global financial crisis just to illustrate a point.

So before the global financial crisis, Procore was focused primarily on serving the custom homebuilder market in the U.S. And during that time, America was undergoing an unprecedented residential construction boom. I'm sure many of you remember this pre-crash. Our customers were growing rapidly and they were turning to Procore because they needed our platform to grow. But we saw in just 1 year

that these customers that were flying at the highest heights were now just struggling to survive. And from our vantage point, it was really sad because the vast majority of those folks didn't make it.

So the reality was that these folks were too concentrated into one particular sector, residential. And we all know that the residential sector cratered during the global financial crisis. So this experience taught myself and the rest of us at Procore a very valuable lesson, that the best way for us to thrive was to derisk the inevitable sector fluctuations that we see by diversifying our customer base as well as finding a customer base that has diversified portfolios.

Okay. So we responded by pivoting from residential construction to primarily nonresidential construction. And we further derisked the business by going into the owners market and the subcontractor market, and we also extended our business globally.

So look, one of our values at Procore is optimism. We're optimistic. But throughout our journey, there were many things that happened to Procore that were far out of our control. But through each of these challenges, Procore emerged successfully. And I tell you, we've been through a lot, and we've grown from those challenges.

We've also taken on significant internal change as we were driving the growth and the development of our business. So most notably, we evolved from being a single product to be in a multiproduct platform, from serving a single stakeholder to serving many stakeholders. And through all of these changes, whether they came from an external source or from an internal source, we adapted and we evolved and we consistently came out the other side more successful.

So as you can see, this timeline ends with us hitting $1 billion in annual revenue, which is a great place to be, but let me assure you, this is just the beginning. We're going to continue to scale this business for years to come. But let me assure you that this is not just about scaling the business. This is about making a highly profitable business that has enduring and sustained growth.

So I want to be super clear. I want you to know this about me. Every ounce of my being is dedicated to build a world-class software solution with durable growth, with best-in-class margins. I'm committed to this. My leadership team is committed to this, and I'm going to tell you how we're going to get there. So let's do this.

Okay. So not only is construction resilient, but it's also a huge part of the global economy. In fact, we've said this before, but I think it's -- you can -- it's just too big to fail this industry. It's estimated that by 2030, the industry is going to grow to about $15 trillion in annual construction spend. And construction employs about 8% of the global workforce, which is huge, right?

But to put this into perspective, this is a workforce that is bigger than transportation, than finance, than health care and the real estate and many other industries that you can imagine are very, very large. And another way to look at this, which I find fascinating is that it's even larger than if you combine mining, utilities, financials and health care all together, construction is still a bigger workforce. And I guarantee you -- well, let's see a show of hands. Anybody in this room not know somebody in construction? Right. So it's everywhere. And by the way, I was having a great conversation on the way in about how diversified this industry is. This is -- when it's 8%, this is a great representation of the entire world of a very diverse set of folks.

All right. So we also believe that there is a tremendous amount of future growth available at Procore. With the growth of GDP and global populations, there's going to be a need for increased numbers of housing, institutional facilities, all of the commercial and all the infrastructure that needs to get built. So there's a huge amount of opportunity for us moving forward.

And look, we started our journey here in the U.S., and we quickly expanded into Canada. We then went to Australia, into New Zealand and in the U.K. and into Ireland, and most recently, we've opened up facilities in the Middle East as well as Central Europe. So you can see these orange areas are the areas where Procore actively operates today.

Okay. So this focused set of countries and/or regions make up a $4 trillion construction volume. And I think we can all agree, $4 trillion is a very large market, right? Well, let me tell you, we actually believe that this isn't a $4 trillion opportunity, this is a $10 trillion opportunity because of the concept that we call triple TAM. So remember, for every construction dollar that gets spent, Procore has the potential to capture that dollar 3 different times, from the owners, to the GCs to the subs. And there's another thing at Procore that we really believe in, and that's focus. We believe in going deep rather than going wide.

To truly winning construction, we are going to laser focus on winning in these markets first, and we're going to do this by building a strong partnership with the industry by building a tremendous amount of trust and by delivering a ton of value to our existing customers.

Okay. So while we do intend to expand because there's a lot of opportunity here in the future, our immediate focus is to win in these markets. But I want to be really clear. We will win because of our depth of our partnership with the industry as well as our unique connected platform. And this platform connects everybody in construction from owners to GCs to subcontractors.

Okay. So this is -- we did this to illustrate one thing, which is when I think -- when you all think about our business, I bet you think of it kind of in this way through our solutions, precon, project execution, resource management and financial management. But this slide really only tells part of the story. What truly sets us apart is not just these amazingly built and amazingly productive solutions, but the real differentiator is the underlying platform that powers all of those solutions. That's where the power comes from. And this is -- Procore is the only truly unified construction project management platform on the planet that connects people, products and data outside of the silos of construction through the entire construction life cycle.

Okay. So let's look at our financial solution just as an example, right? On our financial solution, you can generate a bid -- I'm sorry, an estimate, and that estimate can be turned into a bid. A bid can be turned into a commitment. That commitment shows up in your budget. That commitment can have change orders. Those change orders can be invoiced. We can run through compliance with them. And then ultimately, we can allow our customers to pay their subs. All of this complexity and all of this optimization is available through our solutions, and it's -- you can do all of your cost management in construction by running our solutions. So all of these complex workflows and data are all there to support and connect each one of these solutions.

And look, there is one thing I can tell you, and it's something I really hope that you understand. Our competitors cannot do this. Our competitors have some solutions, but they have no connected solutions. And the real power of the platform is when you can connect the solutions. So they're not just connected seamlessly these solutions. Each one of them sits on top of this amazing stack of platform capabilities that you see below, like insights and analytics and Procore Copilot and hopefully, you all heard about our Procore agents in BIM and maps and all of these other great things as well as our partners that are connecting to our platform. But where the real true value in ROI comes from is when our customers leverage the power of our platform. And trust me, again, none of this can be accomplished without having a connected solution on a platform.

So this connectivity ensures that all project stakeholders are always working off the most current set of information, so that we can deliver fewer errors to these folks, so that these folks can have the ability to make faster decisions and they will have better and more accurate financial controls.

Okay. So that is why we invest so heavily in the platform. People always ask us that, why the investment in the platform? The platform is what makes the difference. And this is why the industry chooses Procore time and time again.

Okay. So this is pretty basic. But every project begins with an owner, and an owner will select Procore to help ensure that their vision is delivered efficiently and effectively. And every project has a general contractor. These folks are at the center of everything that happens. They manage all the complex workflows and the subcontractors. And every project has a whole bunch of subcontractors that are performing their -- with the boots on the ground and they're actually the ones bringing the project to life.

So as I hopefully made very, very clear, Procore provides a tremendous amount of value from our platform to all of our stakeholders with these solutions. But the real power is how we connect all of the stakeholders together on our platform. By the way, I believe that our owners business and our specialty businesses are the biggest businesses in the market today, and they're great business with a tremendous amount of opportunity to grow, and it's something we don't talk about enough.

All right. So look, by any objective measure, I would like to say that Procore is the leader in construction technology. And we have over -- actually, we have $1 trillion in committed volume to our platform and that volume commits to our financials and leads to our success.

So look, customers of all sizes are choosing Procore. We have over 2,000 customers that spend over $100,000 a year, and we have 81 customers that spend 7 figures a year with us. And here's a fun fact. We have closed more 7-figure deals this year than we did in all of last year, which is a testament to the strength of the up market.

We have 2 million active users generating tremendous amounts of data on our platform every single month, and they do this across 3 million projects in 160 countries. This is just another reason that our unique connected platform provides so much value. This data creates an opportunity for us to give this value back to our customers through AI, analytics and insights.

So look, I hope you guys are hearing in my voice. And by the way, I get so fired up during Groundbreak, so excuse the overenthusiasm, because I'm very proud of what we've done and what we've accomplished, but I want to assure you all that we are just getting started. There's still so much room to grow in this industry, and there's so much more that we can do by providing all of the -- our solutions and assets to the industry that deeply needs us in order to grow and succeed.

And with that, I'm going to hand it over to Howard, and he's going to go much deeper into this. So Howard, why don't you come on up.

Howard Fu
CFO & Treasurer

It's really great to see everyone here. I love seeing all the hands up in the air. Thanks, everyone, for joining us at the reception last night. And when I was hearing all the stories and all the pass downs from what you heard from our customers, I got to tell you, I just smiled a little bit every time I heard something like that because that's what exactly what we want to hear.

All right. So let's jump in here. Now before I jump into this, I just want to come up on this slide. Now that you've seen kind of sense of the massive opportunities ahead for Procore and how our platform differentiates our offering from anything in the market today, let me go a little bit deeper into how I think about the makeup of our business and the growth vectors that we have.

But before I do that, let me just quickly flash up this slide of the CFO priorities that I actually talked about last year. And these priorities are still very much in play, and they do apply today. And it's just worth a quick reminder that these priorities are all intended to compound free cash flow per share, which is still a North Star metric for us.

All right. Now while there are many paths to do this, at this stage in our business, and you heard a lot of this and saw a lot of this from Tooey, growth is still the primary lever to compound free cash flow per share. We are the clear leader in a massive market that is one of the least digitized industries, all right. So let's dive in and see how we intend to capitalize on the significant growth opportunity.

What you're seeing here now is a cross-section of how we think about our business. Now we organize our business across three dimensions. One is by geography. You can think of each one of these geographies as a dimension that now roll up to a place where we have a general manager. We also organize by size, and we classify this by how much ACV our customers run. And then we also organize by stakeholder. Remember that every project is going to have all 3 stakeholders. An owner, a general contractor and a subcontractor. And these cross sections, you can think of as individual markets where we have opportunities to pursue and grow our business.

Now the orange shaded regions that you see are the markets that we're pursuing today. Now there are a number of reasons why we might not be pursuing a market today. For example, in the Middle East, that market is dictated by large enterprises. And so that's how we go and focus in that market. Another example might be the owner SMB market in the U.S. Now these would include folks like individual homeowners. And so that's just not an area that we want to focus on.

So now let me break down a few of these markets to give you a better sense of the current and potential mix of our business. And first, let's take a look at this by geography. Where in the U.S., it's obviously currently our largest proportion of our business. That is where we started. This is where we were founded, and this is where we first found our products market fit. Our business in the U.S. spans really all different types of customers. But across all those customers, on average, they all have roughly around 3 to 4 products each. And I'll break this down in the U.S. market in a little bit more granularity, a little bit later.

So let's look at our international business, and you can see from this, there's clear there's many more markets for us to continue to grow. And while our international business represents a small proportion of ARR, remember that we entered these markets much later than the U.S. And although our international business is still quite nascent, similar to the U.S., the international customers that we have also have on average roughly 3 to 4 products each. We have a tremendous runway for sustained and long-term growth in these markets.

Now let's shift from geography over to the stakeholder dimension. Now let's start with general contractors. GCs is where we first started, and we have clearly established ourselves as the technology platform of choice for this stakeholder globally. And you can see this in the size of our GC business today and the number of GC spending 6 and 7 figures with us annually. But let's break this down, this GC market in even more detail to get a better sense of where the business is today and where it can go. And frankly, I want to do this because I'm hoping to dispel some myths that are out there.

When you look at the GC business today, the U.S. GC business, it represents just over half of our ARR. This means that the other half is represented by owners, by subcontractors and by international. Let's break this U.S. GC market down in even more detail.

When you just look at U.S. enterprise GCs, this group represents less than 1/3 of our business. And even though it represents less than 1/3 of our business, we get a disproportionate amount of questions from investors about this part of our business. Now the other thing to note about these customers is that on average, they have about 5 to 6 products compared to the overall average of 3 to 4 products. So when customers grow, they typically add additional products. So let's break this down into even a little bit more detail.

If I look at the U.S. enterprise GCs, and I just isolate on the ENR 400, this group only represents 18% of our business. So let me just recap. Globally, GCs represent about 60% of our business. U.S. GCs represent about half of our business. U.S. enterprise GCs represent less than 1/3 of our business. And within enterprise GCs, the ENR 400 represents about 18% of our business. Why am I doing this? Why am I breaking this down this way?

Well, first of all, the ENR 400, it's an important market for us. But it's only a portion of the U.S. enterprise general contractors, and the rest of the U.S. enterprise GC market looks a lot like the ENR 400. There are many GCs in this market, spending -- or doing greater than $100 million in ACV, and they are not unlike the other ENR 400 folks on this list, they are equally as important to us as the names that are on this list.

But most importantly, one of the things that we want to call out and put -- is to put the ENR 400 in context is, there seems to be a perception that the ENR 400 today represents not only a majority of our business, but also a majority of our opportunity. And I just want to tell you that is just not the case.

All right. Let's now move on to our SC business, which also represents a significant growth opportunity for us. A few things to call out -- call out about these markets. First, note that SCs represents roughly about the same proportion of our business as the ENR 400. Second, SCs are the fastest-growing stakeholder, although they represent the smallest proportion of our business. And finally, we've proven that SCs do have the appetite to spend significant amounts on technology.

Now look, there aren't as many enterprise SCs as there are GCs, but we still have SC customers that spend 6 and 7 figures with us annually. Traditionally, this stakeholder has been the least served by technology. This market represents a significant growth opportunity for us globally.

And finally, there's the owner stakeholder, which is probably the least understood stakeholder. Owners are the most diverse, spanning the widest range of industries, but I'll go into a little detail about that in a little bit. Today, owners represent about 1/4 of our business. And we have the opportunity for -- and they have the opportunity for significant spend on technology as well. And you can see this in the number of owners that spend more than $1 million with us.

Now we've said this previously, but 2 of our top 5 customers are actually owners. Now that you've gotten a sense of the different dimensions of our business and the relative size of those markets and let's talk a little bit about the growth vectors that apply to each one of these markets, to each one of these cross sections. And those vectors represent a pretty simple and familiar algorithm. We acquire new customers. Those customers expand their volumes with us. Those customers then buy additional products. And periodically, we will expand into new geographies, and this cycle repeats. Again, it's not unique, but there are specific nuances in this progression that applies to each of the cross sections in our business. But before I go into some specifics, let me walk through a typical example of how a customer might progress through these growth vectors.

Of course, we start with acquiring a new customer. And a typical new customer will start with project management and they'll start with a small amount of volume. Now keep in mind that project management is our highest ASP product. Then as these customers run more of their projects on Procore, they typically will expand volume with us. So a customer typically starts with small construction volume on our highest ASP product. This is why you see and have seen most of our expansion coming from increases in volume expansion. From there, Procore becomes more embedded in the customer's business. And when they do that, they add additional products. These additional products, keep in mind, will have lower ASP than project management. This is another reason why you see most of our expansion coming from volume expansion.

Now remember that this progression takes time. In fact, it typically takes multiple contract cycles for our customer to go through this progression. And you know what, that is okay. We are here to be partners to our customers and to continue to add value to their business as they continue to evolve and grow. So with that, let me just now go into each one of these growth vectors. And let's start with the new logo opportunity.

I'll point you to the left side of this page. Globally, we believe there are about 360,000 logos across owners, general contractors and subcontractors. And when you look at the proportion of those logos that we have today, which is roughly around 17,000 customers, there's still a tremendous amount of opportunity for us to grow by adding new customers.

So let's go now to the right-hand side of this page, and let's look at this from the context of stakeholders. Let's start with GCs. When you just look at the largest GCs, we've already talked about this. Those are represented by the ENR 400 and -- but when you look across the rest of the GC landscape, for example, in mid-market plus, our logo capture there is less than 1/3 of the logos that are out there. And then when you go into SCs, the equivalent of the ENR 400 is the ENR 600, which represents the largest SCs. And you can see that there's a huge opportunity to capture additional logos in that market as well.

But let's talk about the opportunity in owners, which again, we believe it has huge runway for sustained and long-term growth. Remember, I said earlier that owners is the least understood stakeholders. So did you know that any corporation in the Fortune 1000 is an owner. Did you know that owners include educational institutions like schools and universities? Did you know that owners include health care operators, hospitals and medical facilities? Owners include industries like energy, utilities, financial services. In fact, in all, owners represent most major industries. And think about it this way, any organization that has a significant -- or manages a significant amount of CapEx is an owner. Now this stakeholder represents a vast and diverse opportunity and is going to continuously represent a larger proportion of our business going forward.

Now let's move on to our volume upsell opportunity. Point you to the first -- to the left-hand side of this page. What that -- what you're seeing there is a representation of the proportion of our existing customers' ACV running on Procore broken out by U.S. and international markets. Now the global volume that you see there spans across all 3 stakeholders and all 3 customer sizes. And you can see those proportions on the right side of this page. And while we currently have almost $1 trillion of our customers' volume, this represents less than half of the volume from our existing customers. In fact, we have more than $1 trillion left to capture just within our current 17,000 customers.

Now you can think of construction volume in our business as being equivalent to seats in a traditional SaaS business. Saying that we currently have 45% of our existing customers' ACV, it would be similar to a Salesforce or a ServiceNow or Workday saying they've captured less than half of the seats in their customers' accounts. There's a huge opportunity for us to expand volume within our existing customers but volume isn't the only vector that we can expand with our customers. We also have large opportunities to expand by cross-selling additional products. We also -- and we continue to increase those opportunities as we progress on our product road map. And what you're seeing here is the customer attach across a few of our solutions.

Now again, we typically land with project management. And that's why you see that project management has the highest attach rate. But we've also had success cross-selling quality and safety, project financials and most recently, things like invoicing and bidding. And we continue to add new solutions to our offerings like resource management, and you heard some of those developments yesterday, analytics and, of course, hey, but we aren't sitting still. We're continuing to evolve and mature our products to offer better and better value to our customers over time.

And remember what Tooey talked about, these solutions all sit on top of our platform. Every solution that you see here and everything that we build and offer going forward, we'll have the benefit of our platform, the Procore platform enhances the differentiation of all of our solutions. And connecting this back to the go-to-market changes that we are making, our focus on product overlays and technical specialists will allow us to better bring that value of our platform and the solutions that sit on top to our customers.

Now let me go through a couple of real-life examples of how two customers progressed through these growth vectors. The first example is an enterprise owner. Now this customer started with just over $400,000 of ARR on project management, and is now at more than $4.5 million of ARR across multiple products. The first thing to note is the size of this customer. Owners have the opportunity to be just as big, if not bigger, than our largest GCs. And the second thing to note is that this owner grew over time, over several years, over several contract cycles. And while there was a period of no expansion, ultimately, the customer grew their business with Procore. And today, we have 100% of their volume. This is a real-life example.

Now this progression not only demonstrates our partnership with our customer, but also the continued opportunity and value Procore can deliver. This is a pretty common progression for our larger customers. Let's go through another example.

In this example, this is a mid-market general contractor. And this progression is similar to that example you just saw from an owner. Start with a small land on project management, expand over multiple contract cycles with additional volume and products. This example actually demonstrates that mid-market GCs can spend more than $0.5 million annually with us. And you'll notice that this particular customer actually reduced their volume commitment a few years into this partnership with Procore. And this was likely due to macro or cyclical reasons. However, you also notice, one, they did not leave Procore. Two, in fact, they ended up expanding their commitment to Procore to levels above what they had committed to us prior to that reduction.

Now this is just another example of how we think about our long-term partnership with our customers. Now these two examples are indicative of how customers grow their relationship with us. And this progression applies globally. It applies to all those markets that I showed you earlier. Which brings me to the final growth vector. And this is -- and this vector is to expand into new geographies.

We, of course, started in the U.S., TAM of $2.1 trillion. And when you consider the international markets, the opportunity in the TAM, there is $1.9 trillion, you put those two together, we're at about $4 trillion of TAM in the markets that we're in today. Now while the TAM in these current markets is roughly evenly distributed between the U.S. and international, you all know that our revenue is today heavily concentrated in the U.S. So even in our existing international markets, we have opportunities for new logos, volume expansion and product cross-sell.

Now outside of the markets that we are in today, there's an additional $11 trillion of TAM. Now there are several countries outside of the ones we're in today with material construction opportunities. And those opportunities are driven by, and Tooey mentioned this, things like GDP and large populations. And this means that globally, we have the opportunity to capture $15 trillion of TAM.

Now even if we exclude markets like India and China, which are going to have their own specific dynamics, there are still several countries with significant construction volume that we can expand into, and that are adjacent to where we are today, which is likely how we would do that. But remember the concept of triple TAM, we can monetize that $4 trillion of TAM in our current markets across each stakeholder owners, subcontractors and general contractors. And when you consider triple TAM, we estimate that the monetizable ACV across all 3 stakeholders is about 2.5x this number, meaning that we actually have about $10 trillion of TAM in the markets that we operate today.

However, even though the TAM is huge, and even though the TAM is huge in our current markets, we do have to recognize that construction is cyclical. Let me orient you to the slide for a second. The solid line represents year-over-year growth in construction spend over the last couple of years. The dotted line represents interest rates over that same time period. And look, there's no denying that we operate in a cyclical industry. And even in just the last few years, you can see the volatility in the construction growth, and we've seen that in our business as well. The green shaded area represents a favorable demand environment and the red shaded area represents a challenged demand environment. And while not every part of the industry is tied to interest rates, the magnitude and pace of interest rate changes does impact sentiment and demand. And these dynamics do ultimately impact our business and is a headwind to revenue in times of a challenged demand environment.

Now having said that, you can see that construction spend still grew even during a challenged demand environment. Now over the long term, the massive growth opportunities will overcome any short-term headwinds to Procore's growth.

So let's recap what we've talked about. Procore's business can be thought of as having 3 dimensions. Geography, customer size and stakeholder. And the cross section of these 3 dimensions represent markets where we have tremendous opportunities for sustained and continued growth.

And when we think about the growth vectors, the fourth growth vector that apply to every single market, one is acquiring new customers. We believe there are 360,000 logos in those markets, of which we have about 17,000 today. Volume expansion. We currently have 45% of our customers' ACV at just under $1 trillion, meaning there's more than half of our customers' volume left to capture. Product cross-sell on average, our customers have about 3 or 4 products, and we believe we have the opportunity to double that similar to what you see in some of our larger customers. And the fourth is international expansion. The TAM outside of the U.S. is greater than the U.S., and the revenue mix today is heavily concentrated in the U.S., there is significant opportunity to increase the mix of our international revenue.

Now with that, let me hand it over to Ryan Butler to talk about how our go-to-market changes are going to help us capture these opportunities.

Ryan Butler

Hi, everybody. Thanks for having me.

Before I get into this, I wanted to just explain a little bit why Howard and Tooey asked me to come up here and talk about the go-to-market changes.

So it really goes to the two hats I wear at Procore. I wear one hat, which is revenue operations and revenue strategy. And so at a very tactical level, I have the people under me who are working on the day-to-day operations of getting this transformation in place, all the planning that we're doing and ready to make this successful as we go into next year.

The other reason is that I lead corporate strategy at Procore. And so I led a group of leaders at Procore back in the summer of 2023, to get together and talk about how do we refresh our 3-year strategy? How do we go after those growth levers that Howard talked about. So we talked about what markets that we want to go in, how we're going to go after those efficiently, what products that we need to build, but we also talked about how do we need to go to market in those different markets? And how do we need to do that successfully to drive those growth levers and drive those growth levers at scale. And so this go-to-market transition that we're going to talk about today, this change in go-to-market strategy is really the foundation of our corporate strategy, and it really is a key part of that corporate strategy, and that's why I'm up here talking about it today.

So before we go into the ways that we're changing it, let's just talk a little bit about the previous go-to-market model that we had. I want to just start by saying there's nothing inherently wrong with this go-to-market model. It was just fit for a different size and scale of purpose at Procore. It served us very well as we grew a $1 billion company. It was a global model, meaning we had global heads of our different -- the different parts of our go-to-market motion. We had a global head of sales. We had a global head of success. We had a global head of marketing. But we are a very U.S.-based business, as Howard just went through. And so it wasn't really fit for purpose as we thought about scaling to those growth levers, all of those different vectors that we need to go through in terms of stakeholder, the differences in those stakeholders, the markets under those stakeholders, the different geographies that we need to go into. So that's what -- that's really why we're thinking about changing this and moving to this new model.

The new model really at its core is two things that I'm going to go a little bit deeper on. But those two things at the top level are, we're having -- we're putting in place GMs for each one of our regions who will have a very regionalized and tailored go-to-market motion. The other key change that we're making is that we're putting in more technical resources across our customer journey to make sure that we can support our customers, who, as Howard said, are early in their digitization journey, and we can support them through the entire life cycle. So let's talk about each one of those changes in a little bit more detail.

So the first change, as I mentioned, is that more regionalized approach to our go-to-market. Let's talk about why this is important and why we need to do this. So there are two main reasons to think about in terms of why a regionalized approach is important in construction.

The first one is that construction is a very localized market. So what does that mean? It means there are different regulations in those markets. It means that there are different ways of working in those markets. It means there are different contracting methods in those markets.

The other key thing that we need to think about in terms of why a regionalized approach is important, is that our business is a very different shape and size in those markets. We have a different diversification of where we are with those stakeholders. We have a different place in the market that we're trying to build from. So I'm going to talk about each of those differences and why they're important and why a regionalized approach makes sense by contrasting two of our markets.

Let's look at North America, which as Howard said, is the core market that we've been building off for decades now. And then let's talk about Europe, which is one of our newer markets.

So if you think about Europe in the diversified way that they do construction in Europe as compared to North America, you have to think about things like safety standards. There are different regulations around safety, which means that a contractor there has to think about inductions and the safety certifications that each one of the people that come on site have. There are different data residency standards there. There are different contracting methods, which really bring together the owner-architect GCs and their trade contractors, their specialty contractors early and often throughout the process. And so there are different approval methodologies that happen as you go through that.

If you contrast that with North America, there's a different contracting method there. We think about design, bid and then build. So there's less collaboration through the life cycle of the process. And I want to emphasize something. That doesn't mean our product and our platform is different. As Howard said, the platform story that we have is really how do we tailor the value that we're getting to each one of those stakeholders. So the product and the platform is the same. But the way that customers value and think about buying decisions in those markets is very, very different. And that's why that tailored approach makes sense when you think about the different ways that construction works in those markets.

The other difference that I mentioned that a regionalized approach helps solve for is that the shape and size of our business is very different. So again, let's contrast those two markets to talk about why that's important.

So in North America, we have a large and diversified customer base. We have a lot of owners on the platform, specialty contractors, general contractors. We have a lot of volume and cross-sell opportunity that Howard talked through. And so we have to run a diversified motion at scale that goes after each one of those stakeholders. We have to run a more expansion-based motion as our primary motion to make sure that we can go after where that opportunity is.

If you contrast that with Europe, we're still building our presence in Europe. We're still building our brand presence. We still are working on that launching pad, which is the enterprise general contractor as a way to get into further diversifying that market. And so our primary go-to-market motion in Europe is much more new logo focused, much more general contractor focused so that we can build that presence just as we did in the U.S. and use that as a launching pad to grow exponentially in Europe.

So just to close this out, the GMs that operate those markets, they don't have a different product. They don't get a different product from Wyatt and team. They do get different marketing strategies, different go-to-marketing -- different go-to-market strategies. They have to think about resourcing different. They have to think about value propositions differently. And that's why this matters in terms of the regionalized approach.

The other key change that we talked about making is putting more technical resources across our go-to-market. I want to bring this to life with a story that actually happened 2 nights ago as I was having dinner with one of our customers. I asked her, "What is the thing you want most from Procore?" And I was expecting her to say all those cool things that you guys saw in the keynote yesterday from product. And she said, "The thing that I want most from you is a dedicated technical resource to my account.

To help me understand the value of our -- the value of the platform that you all are building, it's so deep and technical. I need someone with me as I build my SOPs for each one of the projects that I have and think about adopting more and more of your platform value." And she also said, "I need that resource because I have to get Procore in every single one of my projects." You saw that volume expansion opportunity that Howard talked about, that's getting Procore adopted on every project. And she said, "A technical resource is really what I need to make sure that I can go off and do that. I can do that effectively."

So let's talk about why she cared about that so much and why this is a common story that we hear from our customers. So Howard talked about the dynamics of the business and why it's complicated and we have different sizes and we have different stakeholders. Underneath that, we have different personas for each one of those stakeholders that care about different workflows, different parts of our platform, different parts of our product. And so we have to be able to go off and talk to them about deeply understanding that those -- the technical ways that our platform can solve the different challenges of their personas.

Let's talk about two, just to contrast that you can see a little bit. I'm going to give a simple example, but this is -- there's myriad examples that are like this that drive this need for a technical resource.

So if you think about the COO and the CFO, the CFO really cares about how they're going to adopt financials. How they're going to integrate with their ERP. How our pay solution is going to be compliant with the payment processing that they do in their company. We have to go deeply technical with that

persona to make sure that they understand all the financial workflows in their company and they understand how our platform can meet those needs.

If you contrast that with the COO, they care about something very, very different. They care about making sure that the project is being delivered on time and at the right quality. And so they're talking to us about how their quality processes work. They're talking about how their safety processes work. They're talking about making sure the daily logs that happen on the field are getting reported in the right way. So it's another set of technical needs that we have to go through to make sure that we can show them the value and get them to adopt that value.

And you all cover different software companies across the industry. You know a generalized AE is not going to be effective at doing those things. That's why these technical resources are so important to help our customers understand not only the technical value that we bring from a product perspective, but how to get that on to every single one of their projects and how to solve that need that woman was telling me about in terms of what her biggest need from Procore is.

So let's bring this all back to why are we doing this? Howard talked about the massive opportunity that we have, Howard talked about all those growth levers that we're going after. Tooey talked about how committed we are to efficiency. This is the go-to-market model that drives that growth, drives those growth levers and helps us do it at scale. At our heart, Procore has always succeeded because we're a customer-centric go-to-market motion. We put our customers at the center of everything we do. Wyatt is going to talk about how we put our customers at the center of our product and our product development. We also put our customers at the center of how we think about going to market, how we think about growing to those growth levers. It's the only way that we can do -- we can grow as Procore. It's a core value that we have.

This go-to-market model at its center is really just bringing customer centricity to scale to go after each one of those things. And yes, that drives all the business benefits you see on the right hand of the slide here. It drives all those growth levers that we care about. It gives us that efficiency at scale that we care about, but it all comes from customer centricity, and that's what this go-to-market model is really oriented around.

The next part that I want to talk about is that this idea, this go-to-market transition didn't just come out of thin air. We talked about it in -- as we said, the strategy in that summer meeting in 2023. But then we went and piloted this with several customers to make sure that we understood it and make sure that we knew how to scale this. And so the concept that we talked about in Procore was picking several pilot customers and then swarming them with more resources, more technical resources to really emulate this model that we're then moving into. So let's talk about a couple of those examples.

The first one is a large specialty contractor. And they were a Procore customer. They were using our platform, but they weren't as well adopted in our platform as we want and they were evaluating other cross-sell opportunities to add new products. So we swarmed them with technical resources. And we were able to show them not only how to develop their SOPs, roll it out to the different projects, and you see the volume expansion that happened here that follows Howard's story in terms of how we typically see customers move up that value chain for us. But they also cross-sell then added new products as a result of this swarming of this account, this pilot that we did. This customer is actually Haugland, who's a customer you're going to hear from later today.

The second case study that I want to share with you it's similar, but there are some nuance this year. So this is one of our largest general contractors. You can see that they're already running a large amount of volume on our platform. But as we swarmed them during this pilot, brought more technical resources to them, brought more localized approach to them, we saw them add a lot more volume and a lot more projects because we were able to show them that adoption, help them move those projects under Procore. They also did something really, really cool that we're expecting to see much more of as we go forward in this model. They saw so much value from these resources that we brought to them that they're actually paying on an annual recurring basis for a technical resource to be embedded with them and deeply tied to their account even more than just the general go-to-market model that we're putting in place. And so this

is something that we're hoping to see a lot more of and we know is going to drive a lot more growth for Procore.

All right. One more thing that I wanted to talk about in terms of a misconception that Howard and Tooey have told me a lot about is they've talked to you all about this transition, and I actually heard it from you, a lot of you at the investor happy hour last night as well which is competition and how much is competition really driving the changes that we're making. So let's walk through this slide a little bit.

On the left-hand side here at the top, you see the total opportunities that Procore went after. As you break that down, you can see that more than half of those opportunities are still what we call greenfield, which means there's not another software competitor in the evaluation. We're still competing against pen and paper or in-house Excel sheets that people have built. For the less than half that were competitive opportunities for us, you can see something really interesting there, which is that more than half of those did not have one of our top three most common competitors in there. We're still competing against fragmented point solutions that don't really compete with the size and scale of what Procore can bring to bear.

Within that percentage, which is less than half of our competitive opportunities where we do see our most common competitors, you can see there on the right-hand side, we have really strong win rates against them, and those win rates have been persistent over the last couple of years. And when people buy Procore, our retention rates are strong and they stay with us. So yes, competition is something that we have to think about, something that every software company has to think about, but it wasn't a driver of this transformation. It wasn't a driver of this transition. This go-to-market model at its core is aimed at our customers and customer centricity and not at solving a competitive issue.

All right. Before I close out, let's talk about where we are in this journey. So the first phase of the transition was really announcing this new model to our company, and we announced it to you all around the same time as well and getting the GMs in place. We've now done both of those things and moved into what we call the second phase, which is really planning and program. That's what I talked about before. We are doing all of the hiring to get us into this model. We're doing all the training to get us into this model, territory design, all those tactical things that we need to do to make sure that the planning and program execution is ready for the third phase, which is really -- starts in January, which is the first time we'll actually start operating in this model. But it won't be in place -- fully in place yet. We're still training that we need to do. There's still solidifying of the model that we need to do. And that's where you see the final phase come into place, which is really half 2 of 2025 where we can see this model grow in scale.

So just to close out before I pass it to Wyatt to talk to you about product, I just want to say, this model, again, is a core part of our strategy. It's aimed at going after each of those growth vectors and helping Procore grow, but really helping Procore grow at scale and doing it efficiently. And that always comes from Procore, from customer centricity. So that's really where we are with the model and where we're going.

Thank you for your time, and I'm going to pass this off to Wyatt.

Wyatt Jenkins
Chief Product Officer

Hey, everybody. Wyatt here. Apologies. My voice is a little hoarse from yesterday and the keynote announcement. I'm the Chief Product Officer here at Procore and I want to explain just 2 things today.

One, I want to explain our platform strategy and including our hard-to-copy differentiators that drive business results. And number two, I want to bring it to life and show you working software in the form of demos. I'm going to do those demos in the context of a story. In this case, we're going to use a data center build, because there's a lot of data centers getting built on Procore right now.

So we chose this pretty hard path. It took many, many years of investment to build a best-in-class, interoperable, enterprise-grade platform from the ground up. So what does this mean? I'll give you a quick example.

So part of resource management, we have a module called equipment management, brand-new module coming out. And equipment management, when it's built, it comes out of the box with messaging, artificial intelligence, analytics. It has a workflow engine. It's got enterprise-grade permissions. The way we talk about software development in this model is we're faster than a start-up because if a start-up building an equipment module had to build all of those features, it would take them many, many years. But when we build something, it comes out of the box. So dividing up our R&D muscle between individual product capabilities for customers and then this deeper investment into platform technologies is a big bet, but it was one that we knew would pay off. Let me show you how.

So when you look at these solutions across the top, we always tell our customers we care about preconstruction to close out, right? That's the world we're going to be experts in. And we have ways of connecting workflows across all these that are simply very, very hard to copy or anyone else in the industry. I'll give you a couple of examples.

When I talk to a general contractor, and I talk to them about BIM, and about financials, and about bidding, and about estimating, 100% of them have multiple different technologies for those things. But in Procore, I can have a customer upload a model to Procore and then take the assets out of the model and generate an estimate. And then from that estimate, they could click a button and build a bid package. And then with that bid package, they could click another button and go out inside of the Procore construction network and find qualified subcontractors to bid that work out. Those subs are going to give new values, then you push those values back into your estimate and you repopulate it. And then once you have an estimate that you're happy with, you can push that back to the budget where the CFO is looking at it. And you can do that in one stream.

Try to imagine the pain of having 4 different technologies and downloading to Excel and e-mailing some stuff out and across multiple parties, subcontractors, people that don't even work for your company. That's just one workflow, and I could rattle off dozens more that work like that. So connecting these solutions is really just part of the story, right?

As Tooey mentioned, every single product is enabled with our powerful platform technologies. Technologies like maps, BIM, connectability, document management, field solutions, but the one I wanted to double-click on is really our data platform. We're about 10 years into our investment here. We've been making acquisitions in analytics and AI since before I joined Procore in kind of 2017, 2018. So we have a significant lead on the entire industry in terms of the way we handle data.

There's a reason for this. One critical aspect about our vision for the future of construction is that we believe putting data in the hands of builders is going to be a significant change to this industry. All the lessons that everybody learns from building these buildings over and over again right now are trapped in the heads of these folks who had maybe built 20 data centers, for example. And we believe that getting that data out of their heads and into software where you can see lessons learned, where you can have copilot and agents bring those lessons to life for somebody out in the field who is trying to solve a problem, we think this is going to be the biggest efficiency gain in the industry, and our customers think that too. So this is why we have invested so heavily in our data platform.

The other thing to mention that you're just not going to see in the industry, all of the data from every single one of those product modules flows into this single data platform. And what that means is we're future-proofing Procore. Whatever happens with AI, because there's a lot none of us can predict, with agents, with large language models, we're ready for it. We've been ready for it for years.

And then if I back up and I think about construction specifically, think about a job site, there's a lot of noise, there's weather issues, you're outside. The way that people interact with software in 3 to 5 years is going to be fundamentally different. It's going to be via voice, it's going to be passive data collection with drones and the dogs walking around. It's not going to be folks tapping on screens. It's going to be these other ways that they interact with software. In each one of those ways, voice and computer vision, they're all going to be powered by AI and data, right? That's how we're going to get this working and working really well for the construction industry.

So in addition to our data platform, we've also built Procore to be incredibly flexible. It's like a set of LEGO blocks. And this dovetails really, really well with what Ryan just told you about the way we serve these different audiences, owners, general contractors and subcontractors. But it's not just about different audiences. Most of our customers are somewhere along this construction technology maturity curve. And one of our product principles inside of product and technology, we say that we want to meet customers where they're at.

So I'll give you a couple of examples. We have a lot of customers that are very, very manual, a lot of pen and paper, a lot of Excel sheets are getting used to construct these buildings. Procore works great for them. Maybe they're starting out with just an ERP and a project management solution, and that's all they really understand. And we're going to walk them up that value chain over time in the account. But then you also heard from a customer like Lois at Mortenson. Mortenson at this point has bought most of Procore, and they're incredibly happy with it. And they are way up here on the right, a very transformed leader in the industry who gets leverage out of data.

The other thing I'll point out is in the middle here, this technology proficiency. That's actually where we see some of the most, what I would call SaaS proliferation. We go into these organizations, they might have 60 solutions around the company. And those 60 solutions don't talk to each other at all. And they're trying to string the data together. So they sort of make this journey from barely any tech to way too much tech, and then back up to the top where they solidify back down, why? Because they care about the data and the data that they can use to run their business is more important than having 60-point solutions that they have to manage.

So look, that's a bit about how our platform is incredibly flexible and how we try to meet customers where they're at along this maturity life cycle.

So over the last year, our platform has significantly improved in the way that we connect those stakeholders that Howard talked about. So last year, when I stood up here, we were just talking about launching the beta of connectability. Now I'm really happy that connectability is GA and it's rolling out across all of the platform components that you see. And the results have been just astounding. They have surpassed our expectations in terms of usage. And as a reminder, 17,000 paying customers. But in the directories, there's a directory product inside of Procore where they have all the folks that they work with, in the directories of Procore, there are 716,000 construction companies. Now some of those are architects and engineers, but there are a lot of qualified customers in there as well.

So connectability is on track to exceed our internal goals around usage. So what does that mean? What that means is more owners, more subcontractors, more architects, more engineers are logging into Procore at a much higher rate than they were before. So you can just imagine the MAUs around this are up and to the right.

So this dovetails right with what Ryan was just talking about. We are building a product that is hyper collaborative and we're building a go-to-market motion that's designed to increase that cross-sell and increase that product adoption for different types of customers.

The last thing I'll say about connectability, I just want to point out this quote. This is a customer who's been using it for a while. "With connectability, I was able to sink 1,800 drawings," remember, these drawings are massive, "in 20 minutes." Before, they would have downloaded drawings to their desktop and then they would have e-mailed or found a bunch of different ways to send those drawings to thousands of people on a job site. But now with Procore connectability, drawings and then soon RFIs and submittals and daily logs are all interconnected for every single construction company that's working on that project regardless of whether they're a customer or not.

And so we're creating a bit of a competitive moat here, right, because can you imagine working this way and then having to go back to disconnected technologies where you have to download the data each time. It's going to be very frustrating for customers that don't have this experience.

So we talked a bit about connectability and how we're bringing owners and GCs and subcontractors into the platform. I want to make sure I hit on how we are monetizing those stakeholders. Those stakeholders who are now their engagement is increasing.

We're bringing a product to market that provides unique value to all 3 stakeholders. This is a new version of a slide we shared last year, where what we've done is by audience group, we are ranking their #1 problems to solve. So this is a prioritized list of problems that these different stakeholders want solved. And we've made a lot of progress. So we just announced resource management yesterday. That's great for self-performed GCs, but you know who it's really great for? Our subcontractors. Subcontractors, there #1 issue scheduling, tracking, managing your labor, equipment and materials, which is what we are now focused on. Subs are also really pumped about scheduling and maps and locations.

I want to point out, we've made significant progress for owners. You heard two yesterday in the keynote talk about assets. That is the number one thing the owners have to do after the project, right? They have to take those assets and they have to put it in their operations and maintenance of the building or structure that they're going to maintain over time. So with owners, we just announced three big things as well. Portfolio planning that allows them to see the entire portfolio of projects in one time. Assets, and now they get a view into the schedule of what's happening inside the job site, not just the one that they're sitting on in P6 or Microsoft Project.

One other thing I want to point out. Scheduling was a big announcement for us yesterday. Our customers came to me so excited afterwards. They're really pumped about our innovations and scheduling. Now with scheduling, that's really helpful for general contractors to manage all of the trades that they're working with. But it's also incredibly helpful for trades to manage all the labor that they're moving around from project to project. And guess what? Owners really like it, too. It's a huge value-add to owners. One product, 3 audiences. The schedule engine is just one schedule engine that we're able to create different views for different stakeholders on the project. And that's the way we think about it, right? These solutions we're building, we can build a single product that works for lots of different folks on the construction project.

Okay. Enough of the slide, where I want to walk through a demo. We're going to build a data center together. Let's -- so data centers are exploding right now. We all know this. And we've got a ton of them on Procore. So if you're Sara and you're an owner, you want to build a new data center, you're going to look at some prior data centers you've built, but also, you know what Procore provides, industry benchmarks into data centers. Why? Because we have a lot of data center data. I did not do that.

Okay. So the first thing you're going to do if you're Sara is you're going to look for a location, you're going to look at a cost, do what we call conceptual estimating. These are all things that can happen in Procore. And in this case, Sara is going to choose both a general contractor and an optimal site. Now here's that example I was talking about, and this is so powerful. Sara selects a general contractor. In this case, it's Will of Vertigo Construction. Will is going to upload a model to Procore. And with Procore you can both see the model and you can see the cost, the estimate.

And so what we're doing that's unique is we're combining design and cost. So see our biggest challenge in construction is you get designers and architects who don't understand what things cost. We've all probably have that in a remodel of our own homes, right? Where you get a lot of fancy designs, but then when it gets down to how much it's going to cost, it's sticker shock. What's happening here is as you make changes to the model inside of Procore, you're seeing the changes to the cost because we're combining the 2, and it's incredibly powerful.

All right. So the general contractor takes that estimate and goes and creates a bid package to go bid out the work. We've talked before about our Procore construction network, this rich network of subcontractors around the globe. But what's really cool is what you can do with Copilot and agents.

So here's an example of just saying, hey, can you provide me with qualified earthwork contractor? And yes, actually, Copilot is really good at this stuff. It works very quickly. Copilot just goes out, looks at the location, looks at the cost, looks at the trades. We have what those trades have done before. We've seen what, for example, an earthwork contractor has done in the past and can say, hey, here's 5 qualified

earthwork contractors for you in a chat window and do it in just a couple of seconds. So that's that power of leveraging AI on top of our solutions.

All right. So let's get to work. Let's start building our data center together. We've got Dylan here. Dylan is an earthwork sub, and Dylan runs into a problem. The reason I'm calling out a problem is because this is where construction gets complicated, changes, things that were unforeseen. On a project of this level of complexity, you might have 1,000 or 1,500 changes that need to be managed and managed well. So in this case, Dylan finds this water table. And we're showing off our new BIM augmented reality here, which was a big announcement yesterday. And so Dylan can use BIM augmented reality and slide it up and down, you can actually see that, that is a mechanical room there that's going to be impacted by this water table.

Let's show you a video of how that water table might be seen in the office via Procore. This is just working software.

[Presentation]

Wyatt Jenkins
Chief Product Officer

Okay. My slides have gone haywire but I'll get back to this pretty quick. Okay. We're back to an RFI. So from that water table, we've now generated an RFI and RFI is just a conversation that needs to happen between multiple people. And again, with platform technology like conversations, Procore messaging, you're able to quickly get the right people into the conversation that you need to go fix the water table.

The first thing you got to do, you probably need an engineer in this case, Luisa. Luisa is going to have to build a wider foundation where that water table exists, and we're going to add a sump pump asset into the mechanical room that's going to help with this water table. This change is not insignificant. It's going to impact both the budget and the schedule.

Now the GC logs into their dynamic hub, which we announced yesterday, they see a view of everything that they need to do. And they see this alert that the RFI is actually going to block a scheduled activity. Copilot in this case, is going to suggest the next best action. Because clearly, this RFI is going to be a change to both budget and schedule. So Copilot is saying, hey, let's make this a change event.

All right. Let's take a quick look at how this is going to impact schedule and show you how our scheduling artificial intelligence and agents work.

Could we do the next video?

[Presentation]

Wyatt Jenkins
Chief Product Officer

Awesome. So that's the way the scheduling works. And what's important for everybody here is -- there's a big difference between the contract schedule, which is usually in Microsoft Project or P6 and scheduling of daily activities on a job site like the way materials roll on to a job site, the way that crews need to be in different places. And we're able to connect all that back to the contract schedule.

You can just in your head imagine that this field scheduling will have a lot of movement, right, because things are changing all the time. Whereas that contract schedule with the owner, you don't want that moving much, right? You want to be very specific about changes you make to that contract schedule.

All right. When you have a change of this size and scope, every single person on the project has a pretty big role to play. So here's where our dynamic hubs come in. They ensure that every single person around this change has the information they need. Let's take a look at it.

[Presentation]

Wyatt Jenkins

Chief Product Officer

We're really excited about these hubs. There's a lot more coming with these. We believe they should be generative. So based on what people do, the hubs will actually change based on the actions that they take. Also, the card system in the hubs allows for third parties to plug in. So any one of our partners in the marketplace, if they have a great point solution that works really well, can plug into these dynamic hubs.

So look, there's this big problem with the water table but other people that have nothing to do with it are impacted as well. So our earthwork sub, that person is off trying to figure out this water table issue. Meanwhile, this concrete subcontractor, Hector, was supposed to do a concrete pour in that area. But this change has impacted Hector's work. So Hector logs into Procore on that exact same project and moves his teams to a different location to keep them on track. You don't want to lose days with these teams. So he logs in. He checks the telematics to make sure the equipment and the crew are back where they're supposed to be, keeping folks efficient and keeping them working.

All right. We're getting towards the end of the project. Remember, we have that sump pump asset that we needed to add to the mechanical room for the water table. What you're seeing here, you're seeing a plumber who shares a completed action plan for a sump pump that's ready for service. The document is tagged with handover and it's now automatically part of the package for the owner. Handover is this process where the owner gets all of the assets and the history of what happened to those assets along the way that's packaged up for them. Also, Procore analytics can actually show the owner the handover activities and how they're progressing as planned.

As the project is closing out, the owner is actually -- this is towards the end. It's time that everybody paid. Now remember, on a data center project this size, there might be thousands of changes. The owner doesn't just have all that in their head. And so what's really cool about Procore is, in this case, the owner is going to approve this invoice for the sump pump. And so the owner can actually click in and then go back and see the whole history. Oh, there's the RFI. There's the observation. There's the change event and give that owner context so that they have a paper trail and confidence that they can improve the invoice really, really quickly.

All right. Let's get folks paid. Procore Pay is live today. It's going great. It's very early. I want to show you a video of Procore Pay and bring it to life.

[Presentation]

Wyatt Jenkins
Chief Product Officer

Great. So remember, with payments and construction, the product we're building is 90% compliance and like 10% money movement because there are just so many things that need to get done before money can actually move to all the parties that are involved. So we just went through an end-to-end workflow from precon to close out, and I showed you how all of that can happen inside of Procore. And I just want to impress upon you that at Procore, we've built a very hard-to-copy platform that just makes it really easy for different stakeholders on a project to work together regardless of whether they're a paying customer or whether they're a free collaborator. And we've been rapidly adding products to our portfolio that are going to more effectively monetize these different stakeholders like resource management, like assets and like portfolio views. We think those additions are going to help us win new customers and are going to increase cross-sell to these products.

In conclusion, our platform technology, our data and AI and our flexible experiences are durable differentiators that create sustained value for every construction stakeholder on a project.

All right. We're going to break for a minute. I think it's a short break about 10 minutes.

Alexandra Geller

Thank you so much, Wyatt. We are going to cut to a little less than a 10-minute break. We're going to plan to be back here by 10:35. So everyone please be here ready to get started by then. And as a reminder,

the slides that you see here today will be available after the market closes today, and you are welcome to use them in your research. Thanks all.

[Break]

Craig F. Courtemanche
Founder, Chairman, CEO & President

Awesome. By the way, is it that cool, all that stuff that we just saw, I love it. By the way, so I'm welcoming to the stage a good friend and a great partner, J.J. Haugland. He's the President and CEO of The Haugland Group. And first and foremost, just thank you for doing this. We really, really appreciate it.

But before we get started, we thought we'd play a little video to show you a little background on The Haugland Group. So let's go ahead and do that.

[Presentation]

Craig F. Courtemanche
Founder, Chairman, CEO & President

That is so freaking cool by the way, you must be so proud like, hey, these guys build the coolest hit, it's just amazing anyhow. So we have a lot of ground to cover. I want them to hear mostly from you. So let's start with a little background on you and maybe something we didn't learn about Haugland in the video.

Joseph Haugland

Yes. I'm President and COO. I'm an engineer by trade or education, so graduated from the University of Central Florida. My father has built and sold multiple businesses and then it was like ready to kind of turn over some of the reins and so bought a civil business out of bankruptcy and said, you and your brother, let's see how you guys can try to screw up any more than it already was.

But it was a lot of fun being able to take the -- being at school at UCF, seeing we were one of the largest schools in Florida when I originally went there, and then when I left it was one of the largest schools in the nation. And then we were just immersed in construction around the actual campus and then seeing -- having the perspective of seeing how the construction world works and then living in the classroom and kind of realizing there's a little bit of a disconnect, then getting to be able to be involved in student organizations and trying to kind of merge that gap.
And then once I graduated, seeing little bit of a gap in what technology is in school versus how it's implied in the actual construction world. So then it got to be a little bit of that conduit for the organization. So -- and then kind of dovetailed into being this little technology evangelist. So we applied it into 3D modeling and machine controls with building highways in the beginning and then it kind of just kept [indiscernible] and the cooler projects became more that we realized we got to figure out better ways to use technology. So -- and then that really kind of became the catalyst for growth for the whole organization.

Question and Answer

Craig F. Courtemanche
Founder, Chairman, CEO & President

Well, so that's a good transition. So you are relatively new to Procore, since 2023. Maybe give us a little contrast of what was life before Procore and what kind of was happening that brought you to Procore?

Joseph Haugland

Yes. So as we were kind of growing and expanding, we were trying to leverage technology and then we started in kind of a fragmented technology stack, tried to then get consolidated under our ERP system, which then had some project management capabilities. And then we use that to kind of transform to make sure that we got the trade side and the field operations side to kind of buy into, getting off pad and paper and realize that your tablet and your laptops can actually be a tool for you.

And then we started losing some of that momentum because of the clunky interfaces and whatnot and things that are meant to be interconnected actually weren't. So then we kind of -- we were hitting our breaking point pretty much. And then when I was sitting with our CTO and we Googled what are the best construction softwares in the industry and Procore pops up. So we were like, all right, let's give this a go.

Craig F. Courtemanche
Founder, Chairman, CEO & President

Thank you Sarah, marketing does work.

Joseph Haugland

And I kid you not, as we were doing it and joking and John's filling out a form on there. We have our weekly technology updates and 2 minutes later our phone rings, and we like this is probably Procore, and that was. And we were like, oh my God. So I think it was pretty wild to be like that level of responsiveness.

And while we were struggling with our ERP to try to get somebody on the phone with weeks. And then not be able to, I hear from them, we'll schedule another meeting to get you to talk to somebody that can actually help solve your problem. I'm like we don't have this type of time. So that was like we're going to start transitioning here. So it was fun to kind of grow. And then it was like now like the -- we really feel like the opportunity is endless here.

Craig F. Courtemanche
Founder, Chairman, CEO & President

So let's talk about the 1.5 years since you received that phone call, and we started working together. So look, what are the products that you've adopted on the platform, what volume have you brought onto our platform? And really, I want to hear a lot about the swarming event that we created around your account and how that impacted your decision-making?

Joseph Haugland

Yes. So we started off trying to figure out kind of test the waters a little bit and then try to be disciplined to crawl, walk and run. So we were like, which is a product that we can kind of easily bring on and use. So it started in a quality and safety fashion. Then we kind of were like this is pretty cool and then realized interconnected it was.

So we're like, well, to really leverage this, let's figure out some other parts of the other modules and then we kind of got right into project management. Then started rolling out some of the implementation through there. Had some challenges or what not saying like how are we supposed to be able to do this. We're expecting it to kind of work out a little better.

So then you guys started bringing -- we started asking the right questions and you guys put us in touch with the right people and then brought on a technical swarm to say like this is really how the platform is architected and how you can leverage it. So then we started saying we want to -- all right, we want to bring BIM model and then as well, we want to make sure our schedules are timed to everything. Bringing in financials, which is another complexity of our organization and the platform itself being complex.

So then it was like, all right, swarm with some more people to kind of understand how to solve these challenges. And that was going through it, it was not always smooth sailing. There was bumps in the roads, but being able to kind of literally epitomize partnership to say this is what we're trying to do. We don't know exactly how to do it, and you guys were not exactly sure, but we'll figure it out together. And then we just started knocking down barriers one after one. And then with analytics to be able to overlay the top of it. It's just like now we have just a nice up-to-date fresh view of kind of like we said, the Empire. And then from my purview of them to the people at department or project levels can then go as deep as they want to.

So it's -- and I feel like we're still kind of scratching the surface of the program. So we started -- I think the original contract, whatever it was, where we're 3x more invested in the program. And then we're like, again, feel like we're scratching the surface. So -- and it's been really helping us kind of keep our growth pace up.

Craig F. Courtemanche
Founder, Chairman, CEO & President

How do you decide the pace in which to bring Procore volume on?

Joseph Haugland

That was -- I don't know, we've got hooked pretty early on. So that's where I was like more and more and more, and it kind of dumped right into the deep end. But -- so once we did that, it was -- we tried to start off with crawl, walk, run and then it became like run, sprint and super sprint type of deal because we started realizing with the organization as we started doing it, they had a bit of a misperception that it was just going to be for outside the building in operations.

And then people were like, what is this Procore piece about? And then we started getting all inter departments to realize like we deal with project management. So whether it's outside the building or inside the building, if we're rolling out new initiatives or doing just the structured meetings to get people on the platform, use it and it kind of unified the whole organization.

Now it was like kind of same vernacular, everything else. And now we're using it as really our change management culture to be able to kind of model the actual workflows, have visibility to what we're doing. So then when we sit on our executive meeting, we can go around through our safety team, our finance team, operations, HR is trying to figure out how they can be adopting in. So it's really a lot of fun that everybody is like, all right, we want more. How do we get more? So it's like, well, come the Groundbreaking, let's figure out some.

Craig F. Courtemanche
Founder, Chairman, CEO & President

And you brought a bunch of people. How many people?

Joseph Haugland

Yes, brought 10 people.

Craig F. Courtemanche
Founder, Chairman, CEO & President

That's awesome. All right. I appreciate you doing that. One thing that you mentioned was partnership. And I just want to say thank you to you because I really do believe like we truly have a deep partnership

that we've built. So let's talk a bit about that partnership and how it's converted into ROI and benefits for Haugland.

Joseph Haugland

Yes. So with us having now feel like the technical sophistication and our organization sophistication now we're finally kind of at parity and the size and scale and complexity of projects now that we're going after being in the infrastructure space and the energy space. So the idea of offshore win to us was like it was always, yes, they're just talking about, it's never going to happen.

And then working for utility companies and then starting to strengthen up the backbone of the grid we're like this is interesting. This would be where you would interconnect and we had years kind of trending towards us and then landing a lot of the contracts on the onshore piece to now building out converter stations, all the other stuff. You have European stakeholders involved, a lot of other stuff.

So they're expecting us to operate at a certain level and then us being able to bring this type of technology solution that allows us to collaborate together. It has been just an amazing journey and then to be able to now -- since the size is getting bigger, it's also the duration. So it's like we were kind of always like in a blow-and-go mode. And even if you're something that's off the tracks, it doesn't -- it's pretty quick so you can figure out.

Now we're able to anticipate long-range stuff now years down the line and being able to actually see it as it's coming. And then say is this in line with what we did or what we were planning. If not, these are variables, how do we spin up a plan and then see if the plan is actually working. So it's -- now we are like -- it's almost like a cockpit analogy where from planes when they went from like analog, then to digital screens.

And it's just like aviation now, it's so much easier for pilots to get trained and whatnot, bringing people into construction to now get spun up and then it's also been extremely valuable with big age gap that's happening where a lot of the skill and wisdom, unfortunately, doesn't really have a strong technical background.

And the people that don't really have a lot of construction reps under their belt are really technologically -- technical savvy. So then we use that to kind of merge some of the gap. So they get the kind of partner. These guys are now getting accelerated experience. And then the older side is now going to be a little bit more technologically savvy and saying like, all right, this actually is not an extra workload. This actually can actually help me do my job better. So it almost starts off like a field secretary and then they start off developing their own partnership and mentorship now to be able to develop a better pipeline of talent in a faster pace, which also contributes to us being able to continue to grow.

Craig F. Courtemanche
Founder, Chairman, CEO & President

That's awesome. By the way, I love your analogy about the -- you went to a platform from a bunch of point solutions, right? So it's like looking at the cockpit with 1,000 dials and the pilot has to correlate all of this stuff to a single pane of glass, which is hopefully a big benefit to you all?

Joseph Haugland

Yes. It definitely is a big benefit and then allows us to lean into our technology side. So as a construction company, our IT department is pretty robust. So people are like, are you a technology company or a construction company? But it's -- they're able to solve problems for our guys, so they don't even -- and girls too, so they don't feel the pain. They just get to kind of enjoy some of the pleasure and then be able to contribute to say, this is what I want to do. Can I do this?

And I mean it's still like gizmos and gadgets, but easy workflows that they're like, all right, this makes sense. This is what I want to do tomorrow, and I can tell the guys is what they do and they just -- they fill it in. And yes, they did it, all right? This is what we're going to do next week, next month.

Craig F. Courtemanche

Founder, Chairman, CEO & President

It's phenomenal. All right. So this is the last question, but where do you see the relationship with Procore being in the future? What are you most excited about? Give us some of your thoughts?

Joseph Haugland

Yes. Really excited. We've been pretty passionate about this whole like a 3D, 4D ,5D world and trying to intertangle our financials over time, 3D world over time and then making those all interconnected. So we've been developing solutions ourselves kind of internally, but then works just enough for kind of like proof of concept and now having a platform to be able to plug in and then really be able to unlock some of the horsepower that you guys have in the creativity and was like, and we can really do some life-changing things together. So...

Craig F. Courtemanche
Founder, Chairman, CEO & President

Did you see anything at Groundbreak that like we announced that you made you excited?

Joseph Haugland

Yes. So the Copilot side and the agents because that was the way like our -- we didn't realize we were trying to almost silo and do things like this and it's like, all right, you guys are already a couple of steps ahead of us trying to figure out. So that's where it really validates the partnership and us surrounding ourselves with the right people that are kind of -- have the right mentality and culture that's saying like let's go do some fun stuff together.

Craig F. Courtemanche
Founder, Chairman, CEO & President
That's awesome. Well, I want to say thank you. Our audience doesn't get a ton of time to talk to folks that actually do the work. So I really appreciate you doing this for us. And with that, we're going to hop off and we're going to pass it over to Howard. Yes, let's do that. But thank you. And everybody a round of applause for J.J. Let's roll.

Presentation

Howard Fu
CFO & Treasurer

All right. Thank you to J.J. and the rest of the Haugland team. I know you guys are here. We truly appreciate the partnership, and it looks like we're going to need to get things up. All right.

Before I jump into the financial summary, I just want to quickly bring this slide back up again. Now we've spent most of today talking about the growth and monetization priority. Now this is still the primary lever by which we will compound free cash flow per share. You're going to hear me say that a lot. However, I want to touch on the other 2 priorities that I've talked about over the last couple of years, and that's capital allocation and operational efficiency. That's another thing that you're going to hear me say a lot.

And let's start with capital allocation. And just want to go through how I think about the pecking order or how we deploy our capital. Now the first priority is always going to be investing in efficient growth. Again, growth is the primary lever to compound free cash flow per share. And our first priority is always to deploy capital towards organic opportunities to achieve this.

The second lever is to deploy capital towards accretive M&A. I want to be clear, we do not have any plans at this time for large-scale M&A. I got a lot of questions about that last night and before. We have no plans for large-scale M&A. However, we will likely continue to do small tuck-in M&A like we've done in the recent history, things like Intelliwave, things like Unearth. Those tuck-ins will still continue to happen.

And finally, when we have excess cash beyond the needs of investing in efficient growth and growth -- investing in accretive M&A, we will opportunistically repurchase shares. And on the topic of share repurchases, we recently authorized a stock buyback program of up to $300 million with a 1-year term. And our intent is to opportunistically repurchase shares when we believe it's accretive to free cash flow per share. This is one example of how we are executing against our capital allocation priorities.

Another example is how we are prioritizing our go-to-market investments. Now on the left side here, you can see a typical sales and marketing investment progression that's over multiple years. However, on the right-hand side, in fiscal '25, you can see an illustration of that. We've made the decision to bring forward investments that we would typically have started in fiscal '26 to start in fiscal '25. And we are doing this to accelerate the go-to-market changes that we believe will drive efficient growth in the future. And notice that we will not need the magnitude of growth in fiscal '26 in the sales and marketing investments that we are putting in, in fiscal '25 because we've now pulled those investments forward.

However, we are not making these go-to-market changes in isolation. We expect to offset significant portions of these investments needed by continuing to get more efficient across other parts of the company. And this focus on efficiency includes within the go-to-market organization itself. And putting -- pulling all of these investments forward really allows us to realize both the growth and efficiency benefits of these changes that we're making sooner rather than later.

Now while growth is still the primary lever to accelerate free cash flow per share, I cannot overstate enough the focus that the entire leadership team, they're all in the back, the entire leadership team and the company has on continuing to improve our operational efficiency. Now we've already provided an early guide to our fiscal '25 operating margins. Now this means that we are going to continue expanding margins despite the significant investments in the go-to-market changes. And that's a reflection of the focus on efficiency that the entire company has throughout the entire company and all of our teams.

Now our efforts over the last couple of years have resulted in Procore achieving some early profitability milestones. We've achieved non-GAAP profitability, and we are now consistently generating free cash flow. We've authorized a capital return program that we will be deploying opportunistically in order to help optimize free cash flow per share. But we're not going to stop there. We know there's more work to do.

Our next profitability milestones will be GAAP profitability, achieving 25-plus percent free cash flow margins as we continue to compound free cash flow per share. And from there, we have our sights set on 40-plus percent of free cash flow margins. We see absolutely no structural reasons, nothing that we cannot overcome to achieve this.

So how are we going to achieve these efficiency milestones? Well, first, for sales and marketing, the changes that we're making to the go-to-market model will result in higher productivity and that higher productivity will benefit both the top line and the bottom line. And even with the investments we're pulling forward into fiscal '25, we still expect to achieve the same or lower sales and marketing as a percentage of revenue in fiscal '25.

For R&D, we have made tremendous strides in evolving our operating model that will allow us to deliver solutions at a much faster pace. And with the go-to-market changes, it will also allow us to better deliver the value of those solutions to our customers.

For G&A, we continue to make progress on automation and executing to a global location strategy, which actually is true for all of the organizations throughout Procore. Now remember that even in a transition year like in fiscal '25, we are still expanding margins. And all of these continuing efforts result -- will result in a fiscal '26 P&L that is better than fiscal '25. Our approach is absolutely to plan and execute for efficient growth. And this applies to the go-to-market changes we're making as well.

And if we don't see the growth benefits that we expect, we will take the necessary steps to get to these profitability milestones faster. Meaning we will get to higher margins faster if we don't see the growth benefits that we expect. And just as to we made the commitment to you on efficient growth, I'm doing that same commitment to you -- giving you that same commitment. And our entire management team and leadership team in the company is making that commitment to you.

All right. So you've heard a lot today, so let me summarize what I want you to appreciate about the Procore story. The opportunities in construction are massive. We've talked about the different dimensions of our business and the growth vectors. There's ample opportunity for us to grow across multiple markets that will allow us to sustain long-term growth. We are the category leader. And it's not just about the solutions that we deliver, but the platform on which all those solutions sit that differentiates Procore as the market leader in construction technology.

And that technology delivers strong ROI for our customers, and you heard one of those examples today with J.J. Haugland. And of course, we are committed to continuing to improve our financial profile. Compounding free cash flow per share is a North Star metric, and we look forward to having you all along with us on this journey.

With that, I'd like to thank everybody for being here today and coming to Groundbreak, and I want to bring the management team up for Q&A. Thank you.

Alexandra Geller

Thanks, Howard. We're actually going to take a quick 5-minute break so that we can get set up here before we bring our execs on stage. So we're going to start at 11:07. Thank you all.
[Break]

Question and Answer

Unknown Executive

No, Q&A. Yes, we're all going to give a speech. Before we start, let me introduce some of the extended management team. So obviously, you know Tooey, so I'm going to skip you if that's okay. All right. So this is Sarah, our CMO, all right? And Larry, you might have heard we got a new CRO this year. I don't know somebody might have some questions for him, maybe not. So that's Larry, and then Steve is our President of Technology; Paul, former CFO, our Chief Business Officer now. So you guys can grill him a little bit as well. And then obviously, Howard at the end, okay?

We're going to have a couple of mics on both sides of the room. I see [indiscernible] is over there. Alex is on this side. I guess, I got to go stack it first because he raised his hand right away but grudgingly. So why don't you kick us off here, sir?

Unknown Analyst

Thanks for a great session here at Groundbreak. It's always a really fun annual event. Tooey, maybe to start with you. There's still room -- plenty of room in the general contractor market, right, as Howard talked about. But it feels like there's a lot more room in that subcontractor and owner market, whether that's through new logos or whether that's through ACV commitments. And so maybe the question for you and the team, please loop in, what are you doing to accelerate that adoption? Whether that's from a product perspective or related to any of the go-to-market changes?

Craig F. Courtemanche
Founder, Chairman, CEO & President

Well, I'm going to start, and I'm going to probably hand most of this off to Steve Davis. But our mission is to connect all of those stakeholders, right, on the global platform. So when I think of the market opportunity, I think of them as being equal across the board. So you're right, there's a tremendous amount of opportunity with subcontractors and also, as Howard talked about with owners.

We are doing a lot, but the one -- the piece where it all begins to me is connectability because you don't have to be a Procore customer to have a connected account where you can start getting your drawings delivered to your RFI submittals and future daily logs. That is going to drive people more on the platform. Construction will eventually be much more convenient to be done on the platform than off the platform, which will drive adoption from both the owners and general -- the subcontractors. But then I firmly believe in the future, general contractors will find it very hard to do business off the platform because everybody else is on the platform.

But Steve, do you have any other thoughts you want to add about what we're doing to bring these folks together?

Steven S. Davis
President of Product & Technology

First, I'll start with. I can't see anybody. It's like lights flaring in. And I'll just say, as a leader, doing this for 35 years, I couldn't be more proud of the team and what they've accomplished over the past 24 months. And the reason I tell you that is because it's very difficult to walk into a company that was Procore, very successful, growing really rapidly and say, we need to pause a little bit and we need to slow down, and we need to take a different approach in how we architect and actually shift to a platform mindset. Because the belief is by shifting that platform mindset, it allows us to move away from chasing a lot of features that maybe [an SE] wants or an owner wants and think about it more holistically in what that connected ecosystem looks like.

And when you really look at it, all of them need a scheduling solution. A lot of them need a lot of these common capabilities that what we didn't want to fall in the trap of is building them for a unique buyer

persona. We wanted to build them in a way that was benefiting all the buyer persona types, and we want to nail that connected strategy.

Connected is not sending a PDF file. Connected is hyper-integrated data that's synchronizing in real time with permissions on each side, so that each one of those persona types can control their destiny and control their platform the way that helps them run their business. Those are the pieces, and I think you've seen a lot of it launched over the past 24 hours. We've talked about it.

Resource Management is a big component. Portfolio management. But by the way, GCs actually want portfolio management too. SCs, we actually have some of the biggest SCs in the world. I'm getting ready to meet with one right when I walk out of here. They are massive and they look at things from a portfolio lens. And so what we're finding is that platform approach and the way that we're going about it is really starting to pay off, and you're going to start seeing us really hyper accelerate now on those unique capabilities and those differentiators that Wyatt talked about.

So, yes, if I was put my -- I always tell people, ultimately, my role is almost like a venture capitalist. I look at a portfolio of investments we have across a large R&D organization, and we're strategically moving money around in the most efficient way that's moving the needle and driving customer value. If you were to ask me where that needle is moving, heavy investment in owner space, heavy investment in the GC space, heavy investment in how we actually evolve BIM and our model-based deployment through the course of construction. You heard J.J. talk about it, the benefits of 2D, 3D, 4D and 5D, all the way through, all those buyer types need that.

And then just be really efficient on our core products and just continually drive value with customers and ask for them. Our customers are actually telling us we're outpacing their ability to consume value right now, which is we haven't heard that in a long time. That's great. Sorry for the long-winded response.

Jason Vincent Celino
KeyBanc Capital Markets Inc., Research Division

Jason Celino from KeyBanc Capital Markets. Really appreciate the opportunity to talk to Tooey and Howard, but I think Larry, you are the guy everyone wants to hear from today. So it looks like across most of the customers, 3 to 4 products is the current attach, but with some of the larger ones you can get to 6% to 8%. So with the technical resources and the industry focus, I get you have more people to cross-sell into. But what else can be done to drive that motion of more installed base selling? Do you need to do something with bundling, packaging suites, anything like that?

Lawrence Stack
Chief Revenue Officer

Yes, it's a great question. And so what we're doing right now is -- you rightfully hit on it, is making sure that we have a much more intimate customer experience and getting deeper with each persona on a technical basis is probably our #1, and that is the key thing that we're doing different right now. Making sure we get in there and really show how the interconnectivity of the products and capability to drive that platform vision that you heard Wyatt talk about. And I would actually add one more word to Wyatt, it's a unified platform -- the unified intelligent platform and really be able to show that full capability. That's how we expand the additional products and almost make that LEGO thought process of you've got these, let's show how they connect. Now let's bring that to life across those larger groups.

Doing that is our first and foremost capability, taking those references and really hardening those and bringing those to the other markets as well as to the other locations. So if you started with the GCs, illustrating how that does it in the owner side and also in the specialty side are some of the key ways that we're really going to drive this and continue that expansion of the products into that portfolio vision that was articulated.

Unknown Executive

The second half of that was on pricing and packing. But yes, Howard, you want to...

Howard Fu

CFO & Treasurer

I'll just jump in really quick. It's definitely an element of pricing and packaging. Remember what we talked about today, one, I talked about the progression of customers. And you heard Wyatt talk about meeting the customers where they're at. And a lot of focus is going to be put on the right pricing and packaging to put together those products in a way that allows us to meet the customers where they're at. And there's tremendous amount of focus on that across all 3 stakeholders.

I don't know if Sarah or anybody else can talk through some of these as well.

Sarah Hodges
Chief Marketing Officer

Yes. Yes, thank you. There's an added component to this as well. So we've done a lot of work also and Ryan had a great slide that he showed earlier today that sort of mapped out the personas and our buyer personas, if you will, of which there's many across each phases of the project. So we've also taken that into consideration, both in terms of how we think about value in the pricing and packaging that we're looking at for moving into next year.

But also, we've done a great deal of work in our data and our systems and then how that manifests into our go-to-market from a campaign perspective to have really tailored messages that speak to those very distinct personas that Ryan was showing earlier because someone that sits in the trailer and wakes up every day thinking about bidding and estimating is very different than someone that sits out on the construction site and is there with their teams every day.

So we're taking a very nuanced persona-based approach to have deeper engagements, deeper conversations, both digitally and physically that are going to drive some of those cross -- some of those additional cross-sells that we have as well. And then we are also looking at outcome-based selling and tying that to new pricing and packaging that will simplify the way we can move people up the stack Think of it in terms of like good, better, best as an example.

Unknown Executive

Here in the front row, Professor Bracelin and just keep the mic there. I think we got a few friends there.

Craig F. Courtemanche
Founder, Chairman, CEO & President

The people there can't see raising their hands.

Brent Alan Bracelin
Piper Sandler & Co., Research Division

Brent Bracelin, Piper Sandler. Love the 40% aspirational margin, free cash flow margins. I got to put the compounding free cash flow plug in there because we heard that quite a bit today. But my questions are really around double clicking into the pricing discussion. If I think about the platform, you're adding connectability, you're adding maps, you're adding agents, you're adding copilot. You didn't really talk about pricing as a leverage to compound free cash flow. So as you think about all the things you're adding to the platform historically cross-sell was going from 3 products to 5 products to 6 products was the primary motion. Why not raise price? Why not use price as a leverage to compound free cash flow?

Unknown Executive

Make sure Haugland has left the room before we talk about that. I think you should do it.

Howard Fu
CFO & Treasurer

Look, there's always -- and I've spoken to many of you about this before. There's always a balance between making sure that our engagements with our customers really facilitate a partnership and something that we view as long term and matching the pricing and packaging and the pricing levels to the

value that's perceived by our customer. And that's the balance that we typically try to go -- try to make sure we balance.

And when you have those -- that balance that you're trying to manage in that equation, the answer isn't always just -- let's just increase price. And so there's a broader relationship that we are trying to manage to that we have to consider in making a decision like that to do so. There's no doubt we are adding tremendous amount of value, both in our platform and in our solutions. But remember, this is a long-term journey that we're trying to build with our customers and the industry.

Eleanor Osgoode Smith
JPMorgan Chase & Co, Research Division

Eleanor Smith from JPMorgan working with Alexei Gogolev. So what I want to ask about was how idiosyncratic Procore could be from -- when you think about like the construction volume on a macro basis. So you disclosed very competitive win rates versus your competitors and in greenfields. Do you think that the ACV on your platform can increase even in a declining macro?

Howard Fu
CFO & Treasurer

Look again -- I've talked about -- I do think there are -- when you looked at that slide that I put up, even in a challenged demand environment, construction spend still grew, right? So is there opportunity for us to continue to grow? Yes, we are actually still growing today. But there's also no doubt and no denying that those -- that cyclicality is going to impact the rate at which we grow. I think we have to just recognize that, that's the industry that we're in. But overall, construction absolutely still grows in a challenging demand environment.

And my point on that one was those are just kind of the blips over the long term of what we're solving for. There's so much opportunity that's still out there. I have no doubt that, that long-term opportunity will allow us to get through some of these short-term fluctuations that we're going to continue to see throughout our journey here.

Sarah Hodges
Chief Marketing Officer

I think one of the very interesting things about the construction industry that many of you are familiar with, I'm sure, is it's very, very diversified. So just as vertical building, as an example, may decline as people work from home more than they do going into a commercial office. We see things like roads and highways and transportation and infrastructure needs increase. And so one of the things that's been a pillar of our strategy is diversifying.

And so a lot of the work that Steve and team have done in the product portfolio, some of which we talked about on [Mainstage] yesterday is around civil and infrastructure and making sure that our portfolio continues to grow and support the wide variety of projects. And then Wyatt had a great example today of data centers, too. So we've hedged to support the needs of our customers who are also hedging as the secular nature of the industry goes up and down as they move from commercial building to roads and highways, we're moving there with them, too. So a big part of our strategy is heading into those adjacent segments too.

Lawrence Stack
Chief Revenue Officer

If you don't mind, I just want to add with you a little bit, Sarah. I love what you said as well because it's so key for us to look at these other markets. As you see 1 market change, the international markets are growing. You also see public sector expanding in the civil and infrastructure space, but you're also seeing that where there's enormous opportunity. And even in our clients, we haven't fully tapped the whole share of wallet capability and the value we could provide. So when you wrap all these things together, we see a huge amount of value, still a huge amount of opportunity even when there's a market that has macro conditions, they're still so much out there and also those untapped markets, especially in the public space.

Unknown Executive

So let's keep the mic here with Nick, and then I'll come back to this slide and get our friends over here.

Nicholas William Altmann
Scotiabank Global Banking and Markets, Research Division

It's Nick Altmann from Scotiabank. There's a lot of talk about ROI today. Tooey talked about the true ROIs in the underlying platform. In Ryan's section, he talked about how the product specialists are going to help customers maximize that ROI. When you think about the customer base, what percentage of the customer base do you think kind of falls into the Haugland camp, which still seems like there's a lot of ROI to be realized. And therefore, once they realize that they can sort of have propensity to expand, right? Because GCs and subs run a little bit thinner margins than some other sectors.

And then you have the Mortensons of the world who maybe are -- have been realizing ROI, have kind of this steady expansion cadence. So that's part one. Kind of how many fall into that camp?

And then two, it seems like the swarming dynamic worked very well in the instance you guys brought up with Haugland pretty quickly. So when you think about kind of the low-hanging fruit to help those customers realize ROI to, therefore, kind of have better propensity to expand on Procore, what does that look like? And can a lot of the installed base kind of look like Haugland and kind of see that quick ROI once you kind of have the swarming dynamic?

Craig F. Courtemanche
Founder, Chairman, CEO & President

Well, you're building our case for the transformation that we're going through right now because I would say I'm an optimist, again. There is a lot of our customers who do not realize the full value of Procore today because we have not been able to swarm them and give them the resources that they need. So the vast majority of our customers are going to benefit heavily from this.

And then anybody else want to add?

Paul E. Lyandres
Chief Business Officer

Yes. I might add, I think you saw Wyatt slide in particular, on the technical kind of maturity curve, and you saw the competition numbers around saying 50-plus percent of who we see are greenfield. And you have to understand like those folks are really on that early side of that curve and our job is to walk them up the curve because we can deliver this tremendous amount of value.

But if their operations aren't actually ready to embrace them, they haven't put the right standard operating procedures in there. They haven't put the right change management, things that we are experts at having done this 15,000 times, that's how you march them up that value curve, and that's why we see there's so much power in this swarming concept in this technical resource.

Unknown Executive

Let's start with Josh and then going to move over...

Joshua Alexander Tilton
Wolfe Research, LLC

Joshua Tilton, Wolfe Research. First off, I just wanted to say, there was definitely a lot of positivity from customers on the floor yesterday. They love the product. They want to do more with Procore. So, I guess, my question is really, how do you reconcile all the positivity from customers that we heard yesterday with the growth expectation for next year?

And when can we start to see some of the go-to-market changes turn all of that customer positivity into improving top line growth?

Lawrence Stack
Chief Revenue Officer

Okay. Yes. So first of all, I have to tell you the positivity you've seen is real. And we see that not only within this group but across the scale on our global business. You really do see where they see the power of Procore. And you can see we're -- so it's our job now to take that initiative and go after it and go deep with the clients.

What we -- and the promise of the go-to-market transformation is to go deeper and have those deeper conversations and help them technically in that journey. Otherwise, we'll see abandonment rates. So what we really did is, we thought about in the swarm helped us really understand the nuances of how to make sure we're going to be successful in that expansion.

So first and foremost, what we're looking to do is make sure we take advantage of it to your first question is we're going to be in there at a deeper level with each of those clients. Almost -- we're almost at a really healthy part of hiring into our go-to-market transformation right now. We've got our GMs all in place. We've got most of all of our folks and personnel all in place to cross that line running across the line on January 1.

So with that, we're going to be able to go deep quicker and do that and take advantage of those conversations immediately from my first perspective. That's how we take advantage of it. And then also with ABM marketing on the account-based side, really grabbing those stories and articulating those at scale to the other areas and making sure that we articulate to the industries as well. That's where we're seeing this immediacy.

Your second question was, when do you expect this to take effect? And as you know, we're in the change management stage as it was articulated in the slide, and we're really going into the execution phase of this now. And we will see, and we'll start to see real positive, I believe, and I'm very optimistic in the second half of this year. And I will say one other thing the model that we put together and the people that we hired into these models, including the GM are the best that I've ever seen and had the opportunity to work with in my career. That's why I'm optimistic and what we've already done and the progress we've made and where we're seeing that execution is hugely, hugely optimistic for me.

Craig F. Courtemanche
Founder, Chairman, CEO & President

Our -- we really do hit the road running at our sales kickoff in January, where people get their territories and their comp plans and everything else. And so the first half of the year is really going to be ramping all of that up, but we really do expect in the second half of 2025 to be able to see the results. And we are anxious to come and tell you about the success that we're going to have.

Unknown Executive

Why don't we go Mr. Kapadia here. You had a question, and then we'll ask him back.

Gaurav Kapadia
XN LP

Its Gaurav Kapadia from XN.I know all of you. Maybe two things. I'd like to reiterate what everyone else said, the last 2 days have been incredible, both from customer, product. And then, of course, you've given us a lot of building blocks of what the business can eventually look like, including as somebody else mentioned, 40% vertical software margins over time.

Maybe two questions. I thought Ryan's slide about competition was really interesting than what you see. Maybe if you can -- because I know a lot of people here are concerned about competition, if you can double-click practically as to what you see. So that's one.

And then more importantly, I think this question predominantly for Tooey. But when you add all of this together, in 5 years, what does success look like for you?

Unknown Executive

Start with Paul.

Paul E. Lyandres
Chief Business Officer

Yes. I'll start with the competition, kick it back over to Tooey. I mean I think the way Ryan laid out the slide was really intended to give you all a sense of how we actually see the market, right? That one piece that said 52% is greenfield. I think that is something that we've tried to convey. And if you go back through our historic Investor Days, that that's been remarkably consistent, right? We are still so early on in this era of having to just help folks digitize their processes. And now with things like Copilot AI, we think that will be a huge accelerant to give them more and more reasons to do that.

But then you click in and you actually see within that remaining 50%, 30% of it is just this long tail of solutions that span from on-premise to point solutions. They're not true competitors. In fact, many of those folks are out in that ecosystem in that exhibit hall today, right? These are folks that as we release these hubs as we're able to bring them deeper and deeper into our integration will only make Procore more and more valuable.

But then, of course, we have the -- our top 3 competitors out there. And what we tend to see is, in many cases, these are legacy incumbents, right? So when we're coming against these folks, many of them have acquired 5, 10 different solutions, and we're actually trying to displace a point solution, not a platform. And as you talk to the customers, I think what you'll find is -- and it's resonated very clearly that change management for them is a big deal. Thinking through how they actually roll out this process.

And so in many cases, where we lose we didn't lose the account. We lost this opportunity because it wasn't the moment in time for them to drive that change. And so as we look forward, it's where Ryan was very deliberate to say this change we're making is not a reaction to competition. We, of course, remain hypervigilant to that. But the opportunity we have to drive that cross-sell to get those logos and the expand really comes down to how we swarm these accounts, how we get to the right folks, those personas with the right messages, and that's why we're so bullish about the opportunity and really trying to more kind of give you all the insights we have as to why competition shouldn't be the thing that's top of mind for you all.

Craig F. Courtemanche
Founder, Chairman, CEO & President

So by the way, I love that you're asking us to kind of zoom out because I think we do focus a lot on what are we doing with the transformation right now? What is this all about? But this is very important for you all to understand, we believe as a team so deeply in what we're doing with this transformation because we know we've seen it that the customer centricity is going to add to more wallet share with our existing customers as well as allow us to bring on more customers.

So what are we going to see over 5 years? We're going to see -- okay, maybe I should say this. I believe we're going to see an accelerated top line growth, which I think is going to happen dramatically, and we're going to see an acceleration in our ability to deliver better margins to you all over time. And what that's going to do is that's going to translate into compounding free cash flow per share for all of you, investors, and all of us investors, which is why we're doing this.

And that's why we're so incredibly excited. So I'm glad you're making us think or tell the people the long-term story here because this is not about a transformation. It's about building a world-class SaaS business that has the world-class SaaS metrics. So thank you.

Unknown Executive

We want to go back here with Luv here, and then we'll move over, keep the mic over there on the table.

Luv Bimal Sodha
Jefferies LLC, Research Division

Luv Sodha from Jefferies. Thank you, again for the presentations. I had a quick question for Larry. If you could walk us through the mile markers that you're tracking internally as you're making these go-to-market changes? And what would success look like maybe, say, 2, 3 years down the road?

Lawrence Stack
Chief Revenue Officer

It's a lot of what Tooey just articulated in the 5-year zoom out. I'll go through a couple of key things that in any transformation you have to look for. One is you have to make sure that you're having the right pipeline, which is your best perspective metric coming in and if you're getting very good conversion rates on your pipeline. It's a good quality pipeline. Are you getting the traction you're looking for in your cross-sell? And are you giving the right messages resonating with the clients around how our platform is connected is another one.

Productivity is another key metric, making sure that our forces are absolutely becoming more and more productive as we enable them better and better. And as our stories get very clear and clear.

And then obviously, win rates are another and close rates. Are we closing them on the expected dates and are we winning to that location? And then the final one is around share of wallet. Are we getting the share of wallet we're expecting on each and every -- each and every individual account. And can we measure that through the execution on our account plans. Those are the metrics that I would say are those early prospective ones that give you clarity that you're on the right track and the trajectory is correct.

Sitikantha Panigrahi
Mizuho Securities USA LLC, Research Division

Siti Panigrahi from Mizuho, great presentation, especially walking us through that growth drivers. I want to -- one thing I understand the focus also is on data -- consolidating data across the construction project. And there are different kind of vendors in the space. So how can you lead that effort to collaborate with other vendors so that you become the source for all the consolidated data. I understand that's important also for your copilot and agent. So in the same context, help us understand how you're planning to monetize the agent?

Steven S. Davis
President of Product & Technology

Yes. So a couple of things. If you look at our ecosystem and marketplace today, we already support 500-plus partners out there that plug in and share data with Procore. We just launched Zapier interface. We're launching Workato. Those give us another couple of thousand integration points to pretty much any type of tech platform out there to both integrate and bring data into our platform.

Secondly, we believe that from an agent architecture perspective, once you've got access to that data, what you hear from our customers is the agents need to be applied to the course of construction. When you sit outside the flow, you're jumping outside of Procore to actually complete the task or get the intelligence versus the intelligence is working through the job to be done. It is immensely rewarding to see an agent do something and know that, that would have taken you 20 minutes an hour or 2 hours. That's an immediate ROI.

I spent 15 years of my career on the consumer side processing over $1 trillion in transactions, we measure dopamine levels. It's very difficult to measure dopamine level from an interaction. I can assure you, when you do something, that something just happened that saved you 20-minute it's a dopamine trigger.

So that's why every conversation I've had with customers over the past 48 hours have been agents, agents, agents. And I think they're all realizing that the benefit from that agent and that agent architecture, you've got to get the data into a common platform. You've got to get unified. You've got to have it through the course of construction. It's magical when you see it happen.

And I'll just give you one more example. I think examples are important. Wyatt through an example, of course, of construction. I was on a job site. And I was -- and we're on job sites all the time. It's $350

million tower. I think I was on floor like 32, and the superintendent stopped me -- because I always want him to just don't show me how you're operating. I want to see if I can observe what you're thinking and is the product helping you, and he paused, and he said, what do you see? And I said, I see a lot of glass. And it was windows staged up on this floor.

And it was actually the windows for 4 floors. They overstaged, context to where our computer vision can detect there's too many windows on that floor. That may sound trivial, but what happens is they pour a floor every Tuesday at midnight. If you put too many windows on the floor, you blocked the HVAC, moving to the next floor. You've blocked the pour for the next floor going in at midnight. The whole job just slip by potentially 2 weeks.

These are things that agents, computer awareness, friction-free construction is at our fingertips. So it's probably 12 to 24 months away of us lighting up a lot of these agents across the course of construction that I think are going to really reduce a lot of friction in the process. And so we are super bullish on that opportunity.

And then from the packaging perspective, as Sarah and others said, we're working very hard on packaging and bundling that align with what Wyatt went through, on where that value is. You can kind of think about good, better, best type packaging, and that will come out shortly as we head into the new year.

Unknown Executive

Sarah, I think we've got to incorporate dopamine in our marketing campaign. I would say...

Craig F. Courtemanche
Founder, Chairman, CEO & President

In the renewal agreement, how much dopamine would you like?

Unknown Executive

Dopamine platform. All right. Let's -- Alex, just go back a little bit. You got a few folks there, pick your favorite. I can't see who it is, sorry.

Unknown Analyst

Zach [indiscernible]. Thanks again for hosting guys. So I was trying to do some rough math. I think some of the disclosure you had today implied your customers are paying like, like roughly $0.12 per every $100 of ACV running through your platform today? And I wanted to ask, like, is increasing that number a meaningful driver of growth for you over the next, call it, 3 to 5 years? And if so, kind of what does good look like if you kind of hit your aspirations?

Howard Fu
CFO & Treasurer

Well, I can't disclose to you specific numbers on what good looks like there, but I can tell you that increasing that number is absolutely a growth driver. So when you think about the different growth levers and the vectors that we talked about, there's definitely volume growth. And remember, when customers sign up for more volume, they typically pay less basis points.

The way to grow that ASP in the portfolio that they have is really on those cross-sell pieces across those different products. Now, I also remember I said project management is our highest ASP product. And so as we build out these additional solutions, remember sitting on top of that platform that adds that value, it's going to be really cross-selling those products and making sure that overall portfolio ASP goes up. So that is a growth vector.

Unknown Executive

It sounds like the hope is that the cross-sell can more than offset the fact that you have to give discounts as customers expand.

Unknown Executive

We're going to go to Matt over here.

Matthew Vincent Martino
Goldman Sachs Group, Inc., Research Division

Matt Martino with Goldman Sachs. If we were to put kind of cross-sell aside for a moment, the incremental $1 trillion opportunity for volume upsell looks to be a pretty considerable growth unlock for Procore. So can you talk a little bit more about the -- like the sequencing of bringing new volume on and what the primary catalysts tend to be for customers onboarding more volume? And secondarily, does this deeper engagement through your new go-to-market model play a role in accelerating that volume penetration?

Unknown Executive

Start with the mechanics and then maybe...

Howard Fu
CFO & Treasurer

Yes, I'll start with the mechanics. You don't typically switch your project management software if you have one in the middle of a project. So there is just going to be structurally customers ramping into their volume via projects that start in the future. And so there's going to be that component. And so there's that piece. And then you saw an example that I showed earlier today where we had 100% of a customer's volume. When those cases, then it's going to be dependent on how quickly the customers business itself grows and then we continue to grow with the customer.

So that's mechanically some ways to think about that in terms of volume. Now look, there are some things that, obviously, Steve continues to make progress in terms of our product road map and value add that will also address and accelerate that. But in general, the baseline mechanics is around getting projects on board.

Unknown Executive

Since my 7 months, about 74, I think, on-site visits. And I'm going to tell a story like Steve, so I might not wrapped dopamine into it, but I'll try. The one thing is when you go out on the site and you're there with the soups and the project managers and you are there with the folks on the field, you immediately can have them adopt. You say, "Hey, did you see the camera option on this boom?" They're there and then they show their friends, and then all of a sudden, you see that adoption and proliferation not only on that project, but project by project.

Going to those projects and doing the hard work. I'm telling you that is the key. And that's the core of the go-to-market model to your articulation of that is that going there, being there every day, giving that technical inference, showing them, making the product come to life, on the site and the value it brings to them and having that proliferation every day, that is the key to the increased volume from the go-to-market.

Unknown Executive

I'd add one more thing, too, if I may, Larry, as well. I think the other piece of that, just to echo what Larry is saying and something I mentioned earlier is -- the other key to increased volume is also acknowledging that many of our customers, the majority do projects in many verticals, verticals being different project types or different industries like we were speaking about earlier.

So another key tenet of the go-to-market transformation is making sure that we have specialists that understand those areas, whether that's civil and infrastructure, data centers, renewables and energy, manufacturing type buildings, et cetera. That's another key to it, which is being able to articulate the value and the ROI of the Procore platform in context of that project type can quickly enable us to expand across other ACV on an existing customer's portfolio, as an example.

Craig F. Courtemanche

Founder, Chairman, CEO & President

And one thing to add to that, all of these firms, they have a diversified portfolio. So to your point about, they'll have a renewables division, they'll have data centers divisions. They'll have -- you name it, a vertical division. These -- the way these companies work is these folks work in isolation. So though we may have gotten the vertical team like locked in, we literally have to go in and sell this other group kind of holistically on what they're doing. And to your point, we have to be able to speak their language.

Building a data center is way different than building a waste treatment plant trust me. So like having to be able to -- be able to do all of that, you have to have the right people in there. There's that. And then there's also the -- so projects come on over time, so they don't bring all the volume, but also offices come on over time. So some of our bigger customers are made up of roll-ups of lots of different companies that have been acquired over the years.

And you walk into the office for that particular rolled up company, you're going to still see logos from the company's name before it was rolled up they're going to be running a separate ERP system. They're going to be running separate project management solutions and processes. So there is -- bringing those on is also part of the process when we focus, we'll be able to bring those folks on faster.

Unknown Executive

I think what's really interesting in some of the conversations we've been having with customers as well as sort of twofold that like because of the conversations around data, this industry has historically had kind of split. You had some companies that were managed top down, but you have a ton of companies that were managed from the field. And so you had this huge dispersion. And these companies are waking up and realizing that just doesn't work in the new era. If they don't implement standardization, if they don't actually put in place processes that allow them to have structured clean data, they cannot enter this new era.

And that's not only relevant when we think about how do we expand from vertical to civil, but it's also where this GM model starts to become really powerful because some of our largest customers in the U.S. are actually subsidiaries of much larger companies that sit in France and Spain and Sweden and markets that we're ready and ripe to go after, but have historically not seen this need to really look top down and say, we've got to standardize and this arrow is just driving those conversations much faster than they have in the past.

Unknown Executive

That was worth it. Good at it. You want to go see we got Dan here, Andrew, and then we can come back up to the back.

Daniel William Jester
BMO Capital Markets Equity Research

Dan Jester, Bank of Montreal. So going back to the swarm -- you mentioned a customer example of someone who wants to now have a dedicated technical resource going forward. As you think about your own resourcing, do you have a sense of how many of your customers are going to want something like that versus maybe more of a temporary swarm to get them to where they need to be?

And then maybe as a quick second question on the geographic slide. I noticed that European subs weren't on the target. Is there something specific around the European market that you'd call out there? Or is that you just need to get the general contractor logos first.

Unknown Executive

Very much the latter of your part. You want to kind of start with that node and then move out subs absolutely matter there. It's just not our priority of where we are in Central Europe there, yes. And then...

Unknown Executive

So self-perform a lot, which means they do it in-house versus selling it out for some other reason, too.

Unknown Executive

You want to go if that's okay. So on the technical resource, and I wouldn't use the word dedicated. I would absolutely use the word that. What we found is in right inflection points is absolutely key in making sure that we have a one to a couple. It's not one-to-many relationship, but there will be one. So it won't be dedicated and living every day there, but in right inflection points when they're implementing the new systems such as financials with us or bringing on a new project like or a new office. So really work in those areas and doing regular follow-ups will be absolutely key. So it won't be dedicated because there will be a couple of other areas. So that's how we absolutely see it to scale and to expand. And we do see that in our strategic and enterprise accounts.

Howard Fu
CFO & Treasurer

If I just step back just a little bit, yesterday, we held a CFO session with probably 25, 30 CFOs from our customers. And the topic that we talked about was finance transformation. And I think what you're seeing in terms of this example is a recognition even in that discussion about what are one of the -- what is the one of the challenge about finance transformation within the construction organizations. And one of those challenges is focus, commitment and not being somebody's in everybody's second job. But the realization there is that there needs to be a dedicated resources to make sure that this transition is successful. I think you're starting to see that mentality shift within our customers, definitely for the CFOs in that room, and you're going to continue to see that. And I think this is just one example of a company recognizing that they want that technical resources -- resource to help them on this journey.

Andrew Michael Sherman
TD Cowen, Research Division

Andrew Sherman, TD Cowen. Howard, I like this slide with focusing outside of the ENR 400, I think it was 31% of logos in the U.S. mid-market that you have for you and Larry, obviously, a big room to grow that. What is kind of the playbook there? Is that -- do you need more hunters to target that market? Do you need a greater marketing messaging? Just talk about that opportunity.

Howard Fu
CFO & Treasurer

I'll actually hand it off to Larry and Sarah actually to talk.

Lawrence Stack
Chief Revenue Officer

Okay. So the first thing that we're doing in the areas is we're making sure that we understand -- that they understand the core message that we're driving as a platform and then the specific journey that was articulated. As we go into a new logo, we're going to actually start in the small largely in an area where we can find directly an area where they need it, project management is a big one and then expand out from there and continue to drive that message in 3 ways. One is through marketing messages through use cases, industry-specific use cases and then through this microphone, sorry. And then the last one is really on the articulation of having those on-site technical resources coming in and making it real for them a couple of ways.

Sarah Hodges
Chief Marketing Officer

Yes. I would just -- I'll pass on that and say I think actually, Howard mentioned this earlier, those enterprise general contractors, they look a lot like the ENR 400 contractors, too. So in addition to everything that Larry was saying from a marketing perspective, we're also embracing them in what we call instead of just ABM, I like to call it ABX because I think about ABM as digital and physical. And so lots of things that we've been also doing is uniting the C-suite within some of those enterprise accounts with the GC entities and treating them along with ENR 400 accounts and having very one-to-one experiences with them.

So there's a combination of campaigns plus unique experiences where we're uniting them with peers in the industry, at the executive level as well as the numbers of this team, too, and really driving some of those conversations. So -- but it is about the right message at the right time. And Paul was talking about it, too. And a lot of those enterprise accounts, we know the field teams really well. That's why we were born from, and we're loved and adored in the field teams. The world has changed and that standardization is really important. So we're taking those playbooks from what we've learned with the ENR 400 and applying at that C-suite level in those other enterprise GCs as well. So it bottoms up and top down.

Craig F. Courtemanche
Founder, Chairman, CEO & President

And on the top down, which is really interesting is the more owners that we land, the more owners that will mandate Procore be used by their GCs and that gives them a chance to use Procore and Experience Procore, which is obviously a huge win for us. And that's just helping us expand even more. So to sweep up the rest of those late adopters.

I met with a very large data center company yesterday who said they have stopped working with a very large general contractor who runs their own software that they've written in-house because they can't get the information they need off the platform, and they're only going to choose contractors that run Procore because of the data exchange, and that's the difference.

Dylan Tyler Becker
William Blair & Company L.L.C., Research Division

Great content today. Maybe 2, if I can. First for Tooey and Larry. Since we last spoke, there was a little bit of certainty, obviously, around the election. We've seen another rate cut. Any sense of sentiment in your conversations here and maybe the importance of having all of those general managers in place at an event like this as we're talking about this go-to-market change?

And then second, for Paul and Steve, we've talked about data connectivity, but the historical kind of lack of access from an industry perspective on digitization, some of the new product rollouts on resources and scheduling, feels like that can be a substantial unlock of getting access to all that information and kind of real time and a critical component of the project. I wonder if there's additional color there.

Craig F. Courtemanche
Founder, Chairman, CEO & President

I'll start with the sentiment. I'm hoping you're all seeing it too, which is -- and by the way, this is not, I don't think, in direct correlation to the election, don't get me wrong. But there is an increase in optimism. I say on every earnings call, like I make my 20 or 30 phone calls. Before the call -- before we do the call with you all. And I kind of give you a sentiment analysis of what's going on. I think it's clear at this event that the global consensus has increased in terms of optimism, but I don't know if it's directly connected to the election or not, but I think it probably helped. Do you...

Lawrence Stack
Chief Revenue Officer

I would tell you one thing. We received several proactive calls from government agencies as well as state and local agencies, who are basically starting to say, "Hey, we're starting to see some opportunities of bringing a lot more data centers in to life here. We know you're leading in these areas. We'd like to have those conversations. One government -- local state government, in particular, so we see an abundance of data centers coming into our area, and we'd like to talk to you about how to use Procore as a mandated version." So we're starting to see that sentiment and it did happen to ignite after the election. So I'm thinking it's caused an effect.

The second question was around the GM. All the GMs are here. They are in this -- they're meeting with the clients. They're already deeply engaged. I make one correction -- the ANZ leader, he had a personal issue, but he would be here and all of his teams here. So we have all the GMs here to your question and

to your point, and they are with our clients and really making sure they're inculcating with them to really work with them and to launch, as we talked about earlier in the timeline we spoke about.

Steven S. Davis
President of Product & Technology

And with the product...

Lawrence Stack
Chief Revenue Officer

He actually was with us all day.

Unknown Executive

One of our best salesmen. Resource management. I mean, this is a piece we're super excited about. As you heard Wyatt talked, there's nobody else in the industry that has all these things connected together. This year is kind of important for us as we launch Insights. And Insights is going to be available as kind of an AI-driven intelligence layer on every aspect of the tools. And when you think about Insights, we get to look at the best projects in the world. We get to see the difference of somebody building a data center in 30% less time.

When you have all that data across time, materials, schedule, all those things, you can start to infer a lot about what's making the difference. You can start to drive a lot of intelligence and insights and benchmarking. So we're super-excited on what we're going to capture from that data. Equipment is another big one. Equipment is massive from how do you deploy and manage equipment across the globe. That's a huge piece. We announced partnerships with obviously the big equipment providers. We're capturing that data in real time. But yes, we are going after as much data as possible to really drive that Insights play.

And also, just tied to the benchmarking, that maturity model is one of our tools we use with our customers. We sit down with them and we ask them where do they think they are in the curve, and then we talk -- we talk to them about what we see. And like I said, we see the best on the spectrum, and we see those that have some opportunity. But we also talk about some of the differences and what separates the best from those others, too.

Unknown Executive

I would say with Steve coming on board, we've really doubled down on how we think about partnerships, and we've taken attack that says, "Hey, there's a handful, call it, 15, 20 that have just really rich opportunities for us to come together." You saw some of that in the telematics world and making sure that we're building robust connections where the teams on each side are working together to capture that data. And then how do you look at the other 550-plus names and create interoperability and how data comes hubs, the cards, really embrace API's, ecosystem, self-service and things that we've always been good at, but with this investment in platform, we're only getting better and better at, and that's getting to this world where it's no longer going to be good enough. You're not getting in our ecosystem if you build an integration that pulls our directory and puts it in your app and call that integration, right? It's got to be bidirectional.

It's got to add value to the customer, and that's how we continue to be that kind of system of record or system of intelligence because it just can't get the transactional operational work done if you're not in the system. And if you're a third-party vendor, that data better be there.

Paul Robert Davis
Marble Harbor Investment Counsel, LLC

Paul Davis, Marble Harbor. It sounds like the success with those couple of clients you talked about on the swarm was remarkable. If I think about the -- maybe the connotations of the word swarm and I look at the number of clients you have that gets to be a pretty remarkable resource demand. Realistically speaking, are we looking at swarming, I don't know, your 50 top clients and your 100 highest potential

clients or there's this rollout over several years because even just hiring that number of field engineers, engagement people that are really good and can do the same kind of work that the folks you beta tested with, I mean, that's a daunting challenge?

Howard Fu
CFO & Treasurer

Here's how I would think about it. Obviously, making sure that we continue to grow efficiently is very heavily on our minds and how we think about growing, but we also need to be very deliberate about how we deploy the resources that where we swarm an account. And I don't want you to think about the swarming in those resources as one distinct event. There's a tremendous amount about these changes that we're making in the go-to-market change that has to do with things like enablement. It has to do with things like really getting account intelligence, that has to think with the coordination and the feedback loop from product to the field and back and forth, all of those things build up into intelligence that allows us to deploy when and where we need to do heavy swarms versus light swarms.

But there's also an element of really elevating the level of competency skill set of the overall go-to-market organization as well, and I think those are the things maybe that are underneath and beneath the surface of the iceberg that folks may not realize and see that we're putting a tremendous amount of work in to make sure that we deploy those resources appropriately.

Lawrence Stack
Chief Revenue Officer

I add one more thing to that, Howard, is one of the guide points that we had is we needed empirical evidence to properly place our resources to your point because there's always a limit. And what we did is we took the account plans in particular, and we coordinated them with the clients and almost shared them with the clients that were one pager, so they're pretty easy to share and said, "Hey, this is what we're looking to do and accomplish with you in this timeframe in this area. And this is how it is said our execution plan and strategy of where to put those resources."

And swarm is probably a big word because I think like a bunch of bees coming in. It's actually a focused amount of people at the right time at the right place that are there for that moment and then continue to execute on those account plans. And that is our guide point. And for us, we want to be very responsible and very focused with those resources. So it wasn't a shock in effect. It's a focus and it's based upon empirical evidence jointly shared largely with the clients.

Unknown Executive

Yes. Maybe just one thing I would add is from a hiring standpoint, you would actually think going out and finding these folks with this type of confidence -- competence makes our world harder, we have to make the world a little easier. Because when you think about what we needed to use to find, you'd have to find someone who's going to play account manager, is going to play technical resource, and is going to place 17 other roles when you think about how they engage the customer.

Now we've got a role -- these folks tend to come from the field. These are folks who have used Procore. They're in that 2 million plus group of folks who have engaged with our software. And we're not asking them to do anything other than drive value to the customer, right? That's all they will get paid on is make sure that we are getting our customers the most value out of the solution, and we will have an account manager there right by your hip who will take care of the other elements. And so finding those people who are incredibly passionate about making the industry better, who have already used the software, but they come from the industry is what makes that hiring batch, both really effective, allowed to ramp faster, but actually not as hard to find as you would think.

William A. Jellison
D.A. Davidson & Co., Research Division

This is Will Jellison from D.A. Davidson. I thought the most recent conference call and in the presentation today really highlighted how significant the owner opportunity is. And there are -- it sounds like there are

a few new products in there as well. Even something like portfolio planning, sounds like it could help an owner adopt Procore prior to even building our structure would actually help them think about a pipeline of structures to come. I was wondering if you could talk any more specifically about how owners sit in the new go-to-market approach and how you capture that opportunity?

Lawrence Stack
Chief Revenue Officer

So for me, I think owners is a very exciting area because of the platform and the visibility that they get and more importantly, the data that they collect in the construction process that they can absolutely use in the ongoing operations. We know about 86% of the cost of construction is not in the construction. It's in the ongoing operations and being able to use that data successfully to create things like digital twins and things of that nature with our partners and be able to see into those areas proactively and use the data is huge for us.

So we see partner -- I mean, excuse me, we see owners really as an opportunity for us to even have a next level market. And as mentioned here, we're already in this market pretty well. And as we expand into the current platform that we have, we see it perfectly fitting with owners and their mission to take it to the next step in those ongoing operations.

Steven S. Davis
President of Product & Technology

By the way, let me tell you a slide that we actually show because I showed it just the other day, we walk into an owner say, did you know 46 GCs that are on Procore actually are working on your projects today around the world. Did you know that there's 4,000 people logging in at your company and these GCs working on your projects today. Did you know and it keeps going on. It's a very interesting discussion. And then you can ask, did you know you can actually enforce some standards, some data quality, governance and how that data then rolls up to you and to your account. And I think that's what you're going to start to see from an owner strategy has a lot of unique capabilities that owners will now have, that doesn't necessarily mean they need to mandate a specific solution.

It could be another competitor solution actually out there, but then Procore becomes a platform to actually enforce the data and how it's coming up back through the owner account. We obviously would love to have Procore on every single project that they're undergoing. But many times, these projects are multi-years, they're ongoing.

And with the platform approach, we have a very different opportunity now versus just project by project. So we see it as a pretty big broad play and you'll hear a lot more about it pretty soon.

Unknown Executive

We got time for one more, try to get some refreshments, sorry. But no one else is raising their hands, so. All right, Aaron. No pressure.

Aaron Jacob Kimson
JMP Securities LLC, Research Division

Aaron Kimson with Citizens JMP. Thank you, guys for giving us the opportunity to come out here and interact directly with your customers, especially when they're facing an uncertain outlook. So while they love Procore overall, the #1 area of critical feedback I'm getting is around pricing, given the uncertain volume outlook that you're facing right now. Can you help us understand holding modules constant, right? If you had a customer that was doing $80 million in volume a couple of years ago, things were good. They stepped up to, say, $120 million. Now they're at their renewal, it's uncertain. They want to go down to $90 million or so because of the uncertainty. Are you able to take back a lot of the volume discount that you gave on the way up? And is that handled with a standard playbook or more case-by-case basis?

Howard Fu
CFO & Treasurer

Well, in general, the standard playbook is that the customers understand at the lower the volume that they commit that they will take a higher basis points. That is the understanding and then -- and certainly, that is typically the first path that we take. Having said that, there are specific situations where we might say, "Hey, understand that. But if you as a customer believe that there's going to be more commitments later, we may incorporate the rate that into them." So how we treat that renewal or that outcome.

But so in standard, the standard operating procedure is they understand the more volume you commit, the lower basis points you pay, the lower volume commit, higher basis points. And then if they want to then put themselves out to commit more either in terms of volume in the future or longer-term commitments with us, then we take those into consideration to see how we handle those situations.

Unknown Executive

We're out of time. Thank you, everybody for coming.

Craig F. Courtemanche
Founder, Chairman, CEO & President

I really want to say thank you to all of you for your time and enjoy yourselves at ground break and talking to the customers and getting the feedback. So I want you to hear it from them directly, and it's just always a pleasure to see you all, and enjoy the rest of ground break and go see Pitbull the night if you can.

Unknown Executive

Alex and I will be here for any follow-up questions. I know these folks probably have a lot of customer stuff. So if you need anything from Alex and I, we'll be hanging around.

Craig F. Courtemanche
Founder, Chairman, CEO & President
Thank you all.