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Procore Technologies, Inc.

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Earnings Call

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Presentation

Operator

Good afternoon, and thank you for joining today's Procore Technologies, Inc. FY '25 Q2 Earnings Call. My name is Regan, and I'll be your moderator today. [Operator Instructions].

I would now like to pass the conference over to our host, Alexandra Geller our of Head of IR. Please proceed.

Alexandra Geller

Good afternoon, and welcome to Procore's 2025 second quarter earnings call. I'm Alexandra Geller, Head of Investor Relations. With me today are Tooey Courtemanche, Founder, President and CEO; and Howard Fu, CFO.

Further disclosure of our results can be found in our press release issued today, which is also available on the Investor Relations section of our website and our periodic reports filed with the SEC. Today's call is being recorded, and a replay will be available following the conclusion of the call.

Comments made on this call include forward-looking statements regarding, among other things, our financial outlook, go-to-market transition, platform and products, customer demand, operations and macroeconomic and geopolitical conditions. You should not rely on forward-looking statements as predictions of future events.

All forward-looking statements are subject to risks, uncertainties and assumptions and are based on management's current expectations can be used as of today, July 31, 2025. Procor undertakes no obligation to update any forward-looking statements to reflect new information or unanticipated events, except as required by law.

If this call is replayed or viewed after today, the information presented during the call may not contain current or accurate information. Therefore, these statements should not be relied upon as representing our views as of any subsequent date.

We'll also refer to certain non-GAAP financial measures to provide additional information to investors. A reconciliation of non-GAAP to GAAP measures is provided in our press release and our periodic reports filed with the SEC.

With that, let me turn the call over to Tooey.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Thanks, Alex, and thank you, everyone, for joining us today. Let's start with our Q2 performance, which represented another solid quarter for the year. Some highlights include: revenue grew 14% year-over-year. Non-GAAP operating margins increased quarter-over-quarter to 13%. We had a strong quarter for large deals with a number of 6- and 7-figure deals growing 21% year-over-year, resulting in more than 2,500 customers contributing greater than \$100,000 in ARR, and we saw a continued progress with our go-to-market transition. positioning Procore for efficient growth as we build deeper and lasting partnerships with our customers.

In June, we held our Annual Innovation Summit, exploring how AI connected workflows and smart data are transforming the construction industry. Our latest innovations put Procore at the forefront of this transformation as we help to define the next era of construction. So I'd like to share a few of these exciting innovations.

Starting with AI intelligence. We introduced Procore Helix, our intelligence layer with powerful capabilities, including Assist, formerly known as CoPilot. Our improved conversational intelligence experience. Second, Agent Builder, which allows customers to build custom agents tailored to their unique workflows directly

in Procore. And third, developer studio, which will allow agents to work across apps or platforms by leveraging MCPs, third-party integrations and APIs.

We also have out-of-the-box agents in limited release today for our largest customers, including daily log accountability agents and RFI agents with many more in development. We are reimagining the way the owners plan, build and operate their global portfolios with robust capabilities tailor-made for owners, such as owners portfolio hub, a comprehensive portfolio management solution and integrated asset management for fixed assets to generate even more value for owners.

And we continue to innovate our existing products with planned enhancements to improve safety on the job site, simplify scheduling changes to keep projects on track and create one of the industry's most comprehensive project financials offerings. We're also unlocking one of the world's most powerful 3D streaming BIM engines with our acquisitions of Novorender and FlyPaper.

The announcements that we shared at the Innovation Summit are just the beginning of what's to come. when you combine human expertise with intelligent technology, we're not just changing workflows. We're changing how the industry thinks about what's possible. I spent a lot of time on the road this past quarter, visiting employees and customers across the U.S. and Europe. And a few things stood out everywhere I went.

Our customers are incredibly optimistic about the rapid pace of technological change and the potential to transform the construction industry, and our employees are equally energized including our global sellers. I'm continually impressed by the talent density that we built and the level of product and engineering innovation happening across the company.

It's clear the work that we're doing is meaningful and pushing the industry forward. This optimism about the future of construction became clear in the recent conversation I had with John Fish, CEO of Suffolk, widely recognized as one of the most innovative leaders in our space. We discussed how AI by automating some of the most laborious tasks empowers construction professionals to step into more impactful fulfilling roles as knowledge workers.

This shift is not only changing how we build, but also who chooses to build, attracting a new generation of talent to an industry that's becoming more dynamic, innovative and rewarding. By consistently innovating for our customers, we're securing customer wins. In Q2, we added new customers across all stakeholders, including Calpine Corporation, a leading U.S. renewables energy company, a top 10 ENR 400 general contractor, the Department of Transportation for a large southeastern state and a major consumer electronics retailer.

Another new customer in the quarter was top design build contractor Clayco, One of the largest construction firms in the U.S. Clayco sought to better integrate a highly segmented technology stack to meet the diverse needs of its 6 business units. In Q2, they chose Procore to replace an incumbent vendor and help consolidate across a host of solutions. A crucial factor in their decision was finding a partner capable of unifying their construction data with their data architecture vision across multiple enterprise applications. Procore won the deal by demonstrating our ability to streamline their financial processes, enhance budget management and deliver a fully integrated solution that could support the unique needs for all business units.

Clayco purchased products across our platform to standardize all construction projects on Procore. This win underscores the significant market opportunity that remains within U.S. general contractors. Another large new logo win in the quarter was a leading U.S. egg producer and one of the nation's largest barn builders experiencing significant CapEx growth. With a lean team and highly manual processes, they frequently faced costly project delays and spent significant time and money traveling for individual site inspections and management.

In Q2, they selected Procore to standardize operations and enable their aggressive growth targets. With Procore's crucial field office connection, they can now operate with greater efficiency from the office, streamlining communication task management and accountability to complete their builds on time and on budget.

We also had strong global expansion wins across stakeholders in Q2, including 1 of Japan's largest contractors, a long-standing GC in the UAE, J.T. Megan, Purdue University and a top 10 ENR 600 specialty contractor. One of our largest wins in the quarter was an expansion with ENR 10 Hit Contracting Inc., a Procore customer for over 12 years.

In that time, Hit scaled his business from \$800 million to more than \$8 billion in revenue with Procore as a constant in their technology stack supporting their impressive growth. In Q2, they expanded their Procore footprint with additional ACV driven by a growing backlog primarily due to their leadership position, building data centers across the country. With many of their customers also using Procore, they see a tremendous opportunity to leverage AI and to gain further efficiencies as we continue to build out our connected platform.

Another large expansion win in the quarter was with a Fortune 150 utility holding company, already a Procore customer in 2 of their 3 business units. This Q2 expansion replaces an outdated homegrown solution in their remaining unit energy generation. Procore will help them build a wide range of clean energy projects, including large-scale solar farms, natural gas plants and upgrades to major transmission corridors and substations across the Southeast. Procore won the deal due to our proven success within their existing business units, our robust platform and our ability to transact efficiently.

As you can see from these customer wins, the Procore platform is applicable across a wide range of use cases, spanning data centers, energy, agriculture and everything in between. Our Q2 wins demonstrate our success in attracting new logos, driving increased market share with our existing customers via volume expansion and product cross-sell as well as strength abroad. We take great pride in our ability to drive efficiency, transparency and communication across all phases of construction to help our customers build better.

As we look ahead, it is clear Procore is just getting started. We are the category leader and one of the world's largest and most under-digitized industries. And with the best platform in the market and a singular focus on construction, we believe there's a significant opportunity for continued market share gains. A great example of this is our recent FedRAMP in-process designation with Procore now listed on the FedRAMP marketplace.

FedRAMP applies to certain federal agencies and contractors, and this designation is an important milestone towards enhancing our ability to serve this segment of the federal market. More broadly, it's a meaningful tailwind within the larger public sector opportunity, where we're already seeing momentum across local municipalities, state agencies and federal projects that do not require FedRAMP, and our platform is only getting better from here.

With the rapid advancements that we're driving in areas like AI, we're helping customers make faster, smarter decisions with less risk. All on a unified platform built for the complexities of construction. We're also operating with greater rigor and focus.

Our go-to-market transition is on track, and we're executing in a way that positions us for sustained efficient growth, which will allow us to continue improving our margins, free cash flow and per share metrics.

Look, we are proud of the progress to date, but what excites me most is the innovation ahead. We'll showcase many of these innovations at groundbreaking in October, and I believe the next chapter of Procore's growth will be our most transformative yet for our customers, for the industry and for our shareholders.

And with that, I'll turn it over to Howard to walk you through our financial performance.

Howard Fu
CFO & Treasurer

Thanks, Tooeey, and thank you to everyone for joining us. The main topics I would like to cover today are our Q2 financial results additional color on the quarter and our outlook. Total revenue in Q2 was \$324

million, up 14% year-over-year. Our Q2 international revenue grew 13% year-over-year and was impacted by currency headwinds.

On a year-over-year basis, FX contributed approximately 3 points of headwind to international revenue growth. Therefore, on a constant currency basis, International revenue grew 16% year-over-year. Q2 non-GAAP operating income was \$44 million, representing a non-GAAP operating margin of 13%. As for our key backlog metrics, current RPO grew 21% year-over-year, and current deferred revenue grew 13% year-over-year.

Now let me share some additional color on the business. Q2 was a strong quarter for new logo ARR growth with our general contractor, owner and public sector motions showing particular strength. And within expansion, we also saw an improvement in the mix between volume expansion and product cross-sell. As we have previously stated, this mix has historically been roughly 80-20, respectively.

With the addition of our new technical specialists, our expectation is for cross-sell to become a larger contributor to our expansion mix. And In Q2, that mix shifted to 70-30, with the cross-sell portion increasing primarily from higher attach of our financials suite.

And similar to last quarter, current RPO continues to benefit primarily from longer average contract duration. This is reflected in the notably higher noncurrent RPO growth rate for the quarter. And when normalizing current RPO for this dynamic, the year-over-year growth continues to be in the mid-teens.

We expect this dynamic may continue benefiting CRPO in Q3, resulting in a continued disparity between CRPO growth and out quarter revenue growth. We expect this disparity to shrink as early as Q4 as we begin to anniversary the longer contract duration impact.

We're pleased with our non-GAAP operating margin improvement in Q2, which increased 300 basis points quarter-on-quarter. The entire management team remains aligned and committed to continuing to improve our profitability. In the spirit of conservatism, we are maintaining our operating margin guide for the year as we monitor certain items such as FX that are not structural to the business. Even with that conservatism, we are on track for another year of solid operating margin improvement of 350 basis points at the high end of our guide, and we continue to believe we are well positioned for higher margins in the years to come.

Let's shift gears now to how we're thinking about our medium- and long-term milestones. When we first announced our go-to-market transition a year ago, we shared that we expected this operating model to yield numerous long-term benefits that would ultimately be reflected in our financial performance.

We highlighted more durable long-term growth, which should help our retention and expansion metrics as well as improvements in sales efficiency, which should help drive best-in-class terminal margins. We're a couple of quarters into the new operating model, and we continue to be optimistic about this change. The early evidence has increased our confidence and achieving the milestones of 25% free cash flow margins in the medium term and 40% free cash flow margins in the long-term that we shared at our Investor Day.

Specifically, this go-to-market model should provide leverage as we scale our top line. And in short, we see opportunities to continue improving profitability, including GAAP margins, while not compromising our growth opportunities.

So we feel good about the progress we have made in go-to-market, while spend discipline and operating leverage are in our control, there are always external factors that are not. Therefore, while we do intend to improve our Rule of 40 profile in fiscal '26, we anticipate that improvement will be driven by higher profitability, and this will also naturally benefit our North Star metric of free cash flow per share.

With that, let's move on to our outlook. For the third quarter of 2025. We expect revenue between \$326 million and \$328 million, representing year-over-year growth of 10% to 11%. Q3 non-GAAP operating margin is expected to be between 13% and 13.5%.

For the full year fiscal '25, we are raising our revenue guide to a range of \$1.299 billion to \$1.302 billion, representing total year-over-year growth of 13%. We are maintaining our non-GAAP operating margin

guidance for the year to be between 13% and 13.5%, which implies year-over-year margin expansion between 300 and 350 basis points.

And to wrap up, we're pleased with our performance in the quarter and remain confident in our ability to capture the opportunity ahead of us, while we prioritize efficient growth and strong per share improvements.

And with that, let's turn it over to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Dylan Becker of William Blair.

Dylan Tyler Becker

William Blair & Company L.L.C., Research Division

Maybe Tooey, starting with you, you called out a lot of the exciting kind of momentum coming out of the innovation Summit with Helix and a handful of other solutions. I'm wondering to what extent are you seeing kind of customer conversations maybe thinking through that initial adoption curve to lean into AI and you called out maybe unification across the platform as well, kind of how that thesis around standardization across a multitude of kind of different workflows really kind of brings in the value proposition of Procore as that core system of record.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes, Dylan, great question. And yes, the hackathon that we have with our customers was really, really exciting and eye opening. What we're finding is that our customers are bringing their unique challenges to build out the agents on our platform, things that we couldn't even imagine before. And so to kind of -- to answer your question, what we think is going to happen is the more that we can demonstrate this value, the more people are going to adopt agent builder.

And then the good news is there is a lot of demand from our customers to automate these processes that today can take hours to get done. So I think the proof is going to be in the pudding, which is it's going to drive so much value into our customers. that the adoption we're hoping is going to reflect that. So, so far, so far so good.

Howard Fu

CFO & Treasurer

And I'll just comment with that, if I could, Dylan, this is Howard. Our focus right now is really to get these things into the hands of our customers. And when we do that, I think we will make a lot of discoveries about the way that this can continue to add value to our customers. And from there, it will give us a better perspective on how we're going to move forward in terms of that adoption curve and where we can facilitate that. And so really right now in the early stages, it's about getting this in the hands of our customers.

Craig F. Courtemanche

Founder, Chairman, CEO & President

And by the way, did you asked about what customers are saying. Customers are saying that more than ever Procor is the system of record because they need the data to get the jobs done.

Dylan Tyler Becker

William Blair & Company L.L.C., Research Division

Perfect. That's very helpful. Maybe, Howard, on kind of the go-to-market changes, it sounds like that continues to track. Maybe [Audio Gap] alignment across those teams. Wondering if there's any kind of additional color you can give us as we kind of think about kind of the ramping of productivity now that a lot of those teams are in line aligned, excuse me, it sounds like the cross-sell motion is really kind of starting to resonate, but kind of any incremental metrics on traction with the go-to-market front?

Howard Fu

CFO & Treasurer

Dylan, you broke up just a little bit there, but I'm going to anticipate what you're asking. Overall, the go-to-market transition is going about as planned. We had a strong Q1. We had a solid Q1 and Q2. The transition is going about exactly where we expected it to be. We are starting to see some internal improvements around things like conversion pipeline, deal cycle attrition is low, and we're about where we need to be.

And I think actually, through the first half of the year, I think we're through the peak, I think, of the disruption that we talked about, but we've got a lot of wood to chop in the back half of the year, but we're happy with where we're at.

Operator

Our next question comes from Saket Kalia of Barclays.

Saket Kalia

Barclays Bank PLC, Research Division

Okay. Great. Nice quarter.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Thanks, Saket.

Howard Fu

CFO & Treasurer

Thanks, Saket.

Saket Kalia

Barclays Bank PLC, Research Division

Howard, maybe just -- yes, absolutely. Howard, maybe just to start with you, -- in your prepared remarks, you talked about the path to Rule of 40. I mean we've talked about that since Analyst Day. And it's great to see that march forward. But I'm curious, you mentioned in your prepared remarks, but maybe some more of that would come from margin expansion as you look out to next year.

Just to get everybody on the same page, could you just go one level deeper into that as we sort of think about some of the puts and takes for next year? Understanding you're not guiding, but just what you wanted us to take away from that?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes, sure. Great question, Saket. So let me just step back a little bit and provide context. The first thing we really wanted to communicate was to reiterate our commitment to margin expansion, both for this year and for fiscal '26. And if you really think about it, we've got a pretty good setup from this year going into next year.

Remember for the go-to-market transition, we pulled forward a lot of those investments into the first part of Q1, and had we not done that, we would have expanded margins even more in the first part of this year. And so we've kind of got a nice setup going into the next fiscal year as well in fiscal '26. So that's the first thing.

The second thing, frankly, Saket, we wanted to make sure is folks didn't get ahead of us on revenue for fiscal '26. It's a little bit early to talk about revenue for fiscal '26, and we still just -- we didn't want folks to get ahead of that. When you put those 2 pieces together, what it means is that free cash flow -- or the Rule of 40 expansion next year is going to come from profitability.

The other thing Saket I'll add on top of that is when we talked about the go-to-market transition. We talked about the benefits in 2 main parts. First part is durable growth through retention, through

expansion, cross-sell, which we're already starting to see some benefits from, but the other piece is equally important around the leverage and the efficiency that we're going to get from go-to-market and AE productivity. And that's going to be a pretty significant contributor as we think about our trajectory and in terms of our profitability going into next year and on the path to our mid- and long-term goals of 25% and 40% free cash flow margins.

Saket Kalia

Barclays Bank PLC, Research Division

Got it. Got it. That's super clear. Thanks for that added context. Tooeey, maybe for you for my follow-up question, it's a bit of a longer-term question. But one of the questions I got from investors is whether long term Procore -- whether Procore maybe needs to consider multiple pricing models beyond pricing just based on construction volume, which has been a very successful model so far. But I'm just kind of curious -- how much does that come up in your -- and I know you spend a lot of time with customers. How much does that come up in your customer conversations? And how realistic of a scenario is that as you think 1, 2, 3 years out?

Craig F. Courtemanche

Founder, Chairman, CEO & President

So by the way, Saket. One thing that people don't realize is that we've actually had some flexibility in our pricing models and model in the past. With our self-perform products, we will sell a group of seats of licenses. And that was the way that the subcontractors wanted to buy the software. So our philosophy has always been, let's try and meet the customers where they are. And so that is one example.

The other thing is just in terms of looking forward, yes, mostly in the Owner segment where we'll hear just the preference to buy differently, right? So looking into per seat licensing models, for instance, for them, or frankly, any way they want to buy, we want to make sure that we're there to meet them where they're most comfortable.

So ACV is not a sacrosanct item at Procore, but it does work really, really well for the rank and file customers of Procore because that's how they run their businesses. They run their businesses off the amount of construction volume they anticipate in their backlogs. And so it's a really good yardstick that we get to use with our customers to understand how much of Procore they're going to use.

Saket Kalia

Barclays Bank PLC, Research Division

Super helpful.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Thanks, Saket.

Howard Fu

CFO & Treasurer

Thanks, Saket.

Operator

Our next question comes from Joe Vruwink of Baird.

Joseph D. Vruwink

Robert W. Baird & Co. Incorporated, Research Division

I just wanted to go back to this Rule of 40 expectation for next year. As I think about the last 2 years and how you've guided this year. It's really 3 years in a row where margin improvement is more responsible for contributing to Rule of 40. So are you just kind of saying for next year, you would continue to expect what has been the case? Because I suppose the question related to this is, with that revenue growth rate,

does this add anything at all? Would you say it's more flat in growth relative to this year or some level of improvement?

Howard Fu

CFO & Treasurer

The short answer is, yes. Going into next year, the improvement in Rule of 40 is going to be driven by profitability. And I already talked about in my response to the Saket's question, why that's the case. In terms of revenue, and I talked about not wanting folks to get ahead of us, more specifically, I think you hit on it as we don't want folks to get ahead of us from a revenue acceleration standpoint.

Right now, it's just too early to talk about fiscal '26 revenue. We understand the benefits that we're trying to get in terms of our transition on the go-to-market side. We have a lot to get through in the back half of the year. And frankly, we're still in a pretty depressed macroeconomic environment that's been consistent for some time. And so the short answer, just to sum up is yes, you should expect the Rule of 40 improvement to come from margin [indiscernible].

Joseph D. Vruwink

Robert W. Baird & Co. Incorporated, Research Division

Okay. And then I want to switch back data maturity and construction is always a point of discussion. I was interested by the rationale you cited and the conquest win just around how data and unifying data was the imperative there. I guess as you think about AI and now meeting this data for the benefit of future automation, are you getting the sense that existing customers might look to run more of their volume through your platform or even outside the subscribers, the collaborators now understand they need to be on the platform to get the maximum benefit?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. So here's one thing to know about construction. And this is what all of our customers know and all of our buyers now. is that construction is very uniform. So every building has a foundation and every building has an HVAC system in it. And because of that, when you have all the structured data on your platform, it is really, really well positioned to be worked on with agents.

So -- so when our customers are looking to Procore today, they're seeing all this additional value that comes out of Procore. So will we capture more of our customers' volume perhaps. I think that's something that we think about over time, which is as our customers grow, we want to grow with them.

But -- and then in terms of the collaborators, yes, the collaborators are seeing a tremendous amount of value in the data. It's one of the main reasons why a collaborator becomes the Procore customers they want to own the data from the projects that they're working on. And that's not new based on AI. That's just -- that is the way it's always worked. So I think AI is an accelerator in all this, but it's -- it really is an exciting time in this industry as we pivot into making agents do the work.

Operator

Our next question comes from DJ Hynes of Canaccord. .

David E. Hynes

Canaccord Genuity Corp., Research Division

Congrats on the quarter. So I want to ask you a couple of questions on the expansion dynamics and what you're seeing there. I mean, obviously, it's great to see cross-sell making up a larger share there. What gives you confidence that, that's the new go-to-market model working versus just there's less volume to upsell right now? I'm trying to figure out like is this a signal that the go-to-market realignment is working? Or is it maybe an indictment on the macro? Just help me there.

Howard Fu

CFO & Treasurer

Dj, this is Howard. Actually, let me take that one. So look, we're a couple of quarters into this go-to-market transition. And I think Undoubtedly, there's some contribution from the technical specialists that have been online for just over 2 quarters now.

So -- and the expectation is that those technical specialists are going to really increase and benefit our cross-sell. The reality of it is, I think, given that we're only about 2 quarters in, that benefit that we got on the cross-sell came from a broad range of things that we're doing inclusive of the technical specialists, inclusive of the broader go-to-market changes that we're making, inclusive of the progress that we're making in terms of our product road map and our platform.

But those -- that is absolutely the expectation that we're going to have. But more broadly, I think it's more than just any one thing. I think it's a reflection of us executing well across a number of dimensions in our business.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. I want to add, too, I've had, I think, 16 C-level conversations recently. And those conversations have all been around Procore's new model where they're getting additional technical resources and there's more people involved in their accounts, trying to help them be more successful is really driving a lot of goodwill with our customers. And it's been something that we are -- the customers are very vocal about, which is what you all are doing now is absolutely the right thing for us and -- so you -- it's hard to argue with your customers.

David E. Hynes

Canaccord Genuity Corp., Research Division

Yes. Yes. No, those are great data points. And my sense is it's only going to get better with more time in the market. Howard for you -- I want to ask you little...

Craig F. Courtemanche

Founder, Chairman, CEO & President

Can I just real quickly correct you on one thing. Because it sounded to me like you were kind of making an assumption that our volume was down. This was not a volume was down. This was the -- this was the cross-sell was up. So I just want to make sure that, that was correct.

David E. Hynes

Canaccord Genuity Corp., Research Division

Yes, that's an important distinction, and I think it makes perfect sense with the explanation. Howard, can I ask you a little bit on free cash flow? I mean, it was -- it came in a little light I think of where we were. I know it's a seasonally softer quarter historically. But just how are you thinking about free cash flow generation for the year? And are there any kind of factors we should be thinking about as to what happened in Q2?

Howard Fu

CFO & Treasurer

Yes, there's always going to be noise quarter-on-quarter, DJ. I wouldn't put any weight on the free cash flow quarter within the specific quarter here. We're on track to where we expect to be for free cash flow margins for the full year. you can still expect free cash flow margins to be roughly in line with where our operating margin is going to be for the full year. So there's nothing to read into the specific free cash flow for the quarter.

Operator

Our next question comes from Kash Rangan of Goldman Sachs.

Kasthuri Gopalan Rangan

Goldman Sachs Group, Inc., Research Division

Tooey, I always appreciate your perspective when you talk to your customers on what they -- how are they thinking about at this time the tariff impact is probably well understood by your customers. Where are we in their assessment of what it does for the cost structure? And how ready are they to take on projects with Procore fully understanding what is it that they do know versus what they did not know 3 months ago?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. Kash, one thing that we talk about a lot here is that our customers are extremely resilient and they build into their business models a ton of resilience. So though there's a lot of noise now around tariffs and other things. There's always noise about something in our industry. And so this is just kind of the issue at our door right now. Our customers have built in a lot of flexibility into the way that they actually contract to help them around tariffs. And not to say it's a panacea, but they have ways of dealing with this. So I'll tell you this. Our customers are very optimistic about the future. And that is -- that's kind of true across the board.

Kasthuri Gopalan Rangan

Goldman Sachs Group, Inc., Research Division

Got it. And also, I know this is a topic that has come up quite a bit, but any leading indicators on the go-to-market side as to why this approach is going to work. Can you talk about the breadth of the pipeline, the upsell rate or the retention et cetera, or maybe even the depth of the pipeline the kind of customers that you are able to or prospects that you were able to bring on board that you could not before the transformation?

Howard Fu

CFO & Treasurer

I mean it's a lot of things that we've talked about before. In addition to things like conversion, pipeline generation, deal cycles, our head count is stable, attrition is really stable. Productivity is going up. The GMs continue to leverage their newfound capabilities and remit to really tailor things that are specific to their regions. So anyways...

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. And I'll tell you this, the proofs in the pudding, which is our sellers and our customers and our partners are all saying this is working. And so across the board, they can't all be wrong. And look at Clayco, the big win that we had this quarter. It was -- they were talking to me earlier this week about how much they appreciate the fact that we partner with them in order to make them successful. It's not just a software transaction. It's a true partnership.

Operator

Our next question comes from Daniel Jester of BMO.

Daniel William Jester

BMO Capital Markets Equity Research

Great. I mean I feel obliged to throw it out there, but Tooey, maybe just a comment on the macro environment and -- any change in the dynamics that you've seen this quarter that you'd call out?

Craig F. Courtemanche

Founder, Chairman, CEO & President

By the way, I'm surprised this wasn't asked earlier because this is normally one of the first questions. It surprisingly same as last quarter.

Daniel William Jester

BMO Capital Markets Equity Research

Exactly.

Craig F. Courtemanche

Founder, Chairman, CEO & President

The same as last quarter. So there's very little to report other than the fact that it's pretty much the same as last quarter. Sorry, I don't have more for you on that.

Daniel William Jester

BMO Capital Markets Equity Research

No, just obliged to ask. I do want to dig in on the comment about the cross-sell and the financial suite specific call out. If I recall correctly, this was already a product that had a pretty good attach rate. And so maybe is there something specific that has improved the momentum of this or maybe -- another question to ask is, what is it going to take from your perspective to broaden now and have the attach rates for the broader suite accelerate in terms of adoption.

Howard Fu

CFO & Treasurer

So why don't I start? The first thing is we've always talked about what's kind of the next attach or the next thing that we could most immediate opportunity in terms of cross-sell. And we've always talked about that financial still has a lot of room. When you look at where our customers typically start, most of our customers have project management but roughly half have financials, some form of financials. And that was always what we expected to be the most immediate opportunity for us.

And we made good progress on that in terms of making progress on cross-sell primarily around financials. Pay is going to be a smaller portion of that, that goes along with financials, but that was a good outcome for us in terms of what drove that cross-sell for the quarter.

Craig F. Courtemanche

Founder, Chairman, CEO & President

And by the way, one of the problems we're calling out financials because we're proud of that, but it's a -- it kind of threw all the focus to financials. We had success across all of our product lines, I would say, this quarter. And it really is a testament to the fact that the platform that we have built is really paying off by being able to be extensible and meet our customers where they need us. And I'm really proud of all the work that our P&T organization has done to make it so.

Operator

Our next question comes from Taylor McGinnis of UBS.

Taylor Anne McGinnis

UBS Investment Bank, Research Division

Yes. Howard, maybe just on the CRPO trajectory. So on a normalized basis, you've mentioned mid-teens growth the past couple of quarters, which has been solid. But can you just maybe provide a little bit more color on like what the trend line has been there. So has been more stable in the mid-teens or any moderation or improvement to flag?

And then as you talk about this convergence that we should see with revenue growth in 4Q. Can you just comment on whether the duration tailwinds are still from these multiyear contracts such that should we see, I guess, a bigger convergence as we get into 1Q?

Howard Fu

CFO & Treasurer

So the first thing is, yes, we are still seeing the impact from the longer contract durations that largely came from Q4 going into Q1. That's why we said we could expect to see that start to normalize and going into Q2 because we're going to anniversary when that shift happened.

And then just in terms of a little bit more color on the CRPO growth, we had a solid Q1 and Q2, and that contributed to CRPO. But when you normalize for that, the impact of the contract durations, we are in that mid-teens range. And when we start to normalize, we would expect that to normalize around there when we get towards the back part of the year.

Taylor Anne McGinnis

UBS Investment Bank, Research Division

Perfect. And then second 1 for you is when we look at the revenue guide for this year, it looks to imply like an acceleration in revenue growth as we get into 4Q. So can you just comment on, is there any improvements, I guess, that you guys are expecting in the back half, maybe from some of the sales changes, cross-sell materializing, anything to comment on like the implied acceleration in growth in 4Q.

Howard Fu

CFO & Treasurer

That actually has more to do with the compares more than anything. And so there's nothing from a business change standpoint going into the back half of the year that would impact that.

Taylor Anne McGinnis

UBS Investment Bank, Research Division

Awesome.

Operator

Our next question comes from Jason Celino of KeyBanc Capital Markets.

Jason Vincent Celino

KeyBanc Capital Markets Inc., Research Division

It sounds like the large deal activity was pretty strong in the quarter. Is 2Q normally a heavy 6-, 7-figure deal quarter? And then, Howard, are these annual contract values or total contract values? Really, the root of this second part of my question is the larger deals because of duration. My sense is no, but just wanted to clarify.

Howard Fu

CFO & Treasurer

Typically, the larger deals are going to come to actually towards the end of the year. And so Q2 is not typically a large deal quarter. And these are going to be the annual contract value that we're referring to.

Jason Vincent Celino

KeyBanc Capital Markets Inc., Research Division

Okay. Great. And then spinning a question that DJ asked earlier. So if you're seeing this larger deal activity earlier in the year than you'd expect -- is this because of some of those go-to-market changes that you made at the very beginning? Or is this kind of to that better overall execution that you alluded to earlier?

Howard Fu

CFO & Treasurer

I think there's probably a little bit of both in there. I think that we are doing well in terms of the transition of the go-to-market. And remember, we've been increasing our focus on the upper end of the market for a few quarters now that we've talked about for some time. And so I think this is a progression against that. And so I don't think it's anything that's a significant shift. It's a progression of what we've been doing for some time in terms of going after the larger customers.

Operator

We have time for one more question. Our last question for today's call is from Ken Wong of Oppenheimer.

Hoi-Fung Wong

Oppenheimer & Co. Inc., Research Division

Tooe, I wanted to ask you about any thoughts or feedback you're getting from customers as far as impact from OBVA. I know the last few years, we've had a lot of potential tailwinds from IRA to regulatory stuff. What are you hearing in terms of how this could benefit the end market?

Craig F. Courtemanche

Founder, Chairman, CEO & President

It's interesting. It comes up almost never because -- by the way, our customer conversations these days, they don't talk about tariffs or anything that you all are reading about in the newspaper. They're talking about how they're going to optimize their business. how they're going to drive productivity in their business. And frankly, that's why we're having those conversations is that we believe we can help them do that.

So -- yes, it's just remarkably very little, again, because they build all this resilience into their business anyway. And so for them, this is business as usual. I used the ER, emergency room doctor terminology last time. But like from all of us on the outside, you see all this chaos and mayhem. It's like getting into -- it's like walking us -- walking into an ER and seeing all the chaos. But if you're an ER doctor, that chaos is what's normal. And for our customers, the chaos of all of this noise is what's normal.

So it's just our perspective, it looks a lot scarier than it is, and they're like, we've got this.

Howard Fu

CFO & Treasurer

And Ken, this is Howard. Just look, we can potentially see some of the possible tailwinds to the construction industry that could elicit some more investment. We could also see some the potential benefits on our cash flow, particularly from a tax perspective. We're not working any of those into our projections at this point, let alone anything [Audio gap] Ken, [indiscernible] the other question.

Hoi-Fung Wong

Oppenheimer & Co. Inc., Research Division

Yes, I lost Howard. I wasn't sure if you guys lost me or I lost you.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Well, I'm not sure about that. I think I get the gist of what Howard was saying, like potential tailwinds, not baking anything in. And then maybe just on a follow-up. I know you guys have been potentially working on some product packaging, bundling. I guess anything in terms of any feedback you're getting on the beta test, how we should think about kind of the end objective for what you guys are trying to achieve here?

Howard Fu

CFO & Treasurer

Ken, this is Howard again. These are really early, early pilots that we're doing, the good, better, best and determining what to include in each package. It's so early with a small set of select customers. It didn't have any impact on our performance. And this is -- these packages are much more about streamlining the sales process. Making sure that, again, we meet the customers where they are in terms of their journey of getting value out of the Procore platform more so than anything else. But it's really early right now with the select few customers.

Craig F. Courtemanche

Founder, Chairman, CEO & President

It's a great example though of what Saket was asking, which is Procore is constantly trying to meet our customers where they need us to be. And this is just one more example.

Operator

Thank you. That will conclude the Q&A session. So I'll now pass it back over to management for any closing or further remarks.

Howard Fu

CFO & Treasurer

Thanks for joining us today everybody. Talk soon.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Thank you.

Operator

Thank you. That will conclude today's call. Thank you for your participation. You may now disconnect your lines.

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