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Earnings Call

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Presentation

Operator

Hello, and welcome to the Procore Technologies, Inc. Q3 2025 Earnings Call. My name is Alex, and I'll be coordinating today's call. [Operator Instructions] I'll now hand over to Alexandra Geller, Head of IR to begin. Please go ahead.

Alexandra Geller

Head of Investor Relations

Good afternoon, and welcome to Procore's 2025 Third Quarter Earnings Call. I'm Alexandra Geller, Head of Investor Relations. Before I begin today's call, I wanted to share that Howard Fu, our CFO, is unexpectedly out of the country attending to a sudden family emergency and will not be joining today's earnings call. For that reason, with me today are Tooey Courtemanche, Founder, President and CEO; and Matthew Puljiz, Senior Vice President of Finance, who will be joining in Howard's place on a onetime basis. You will hear from Howard again soon.

Further disclosure of our results can be found in our press release issued today, which is 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 model, CEO transition, platform and products, customer demand, operations, stock repurchase program 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 and views as of today, November 5, 2025. Procore undertakes no obligation to update any forward-looking statements to reflect new information or unanticipated events, except as required by law. If this call is replayed or viewed after today, the information presented during the call may not contain current or accurate information. Therefore, these statements 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.

And 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 Q3 performance, which represented another strong quarter. Some highlights include: revenue growth was 14.5% year-over-year, which is consistent with last quarter's growth and reflects our underlying business momentum and performance that we've seen this year. Non-GAAP operating margins increased quarter-over-quarter to 17%, reflecting our commitment to improving our efficiency profile. We had another strong quarter for large deals with the number of 6- and 7-figure deals accelerating to 31% year-over-year growth and the number of \$100,000-plus ARR customers now totals more than 2,600. And our go-to-market model is yielding benefits, positioning Procore for efficient growth.

Another very important highlight from the quarter was our announcement that Ajei Gopal would join Procore as our next CEO. Ajei officially steps into the role on November 10, at which point, I will focus exclusively on my role as Chair of the Board, where my commitment to our customers, the industry and Procore's mission will remain as strong as ever. I've had the privilege of serving as Procore's CEO for nearly 25 years, and it has been the honor of a lifetime. Needless to say, the Board and I were incredibly diligent and thoughtful in our search for Procore's next leader. And I can confidently say that we have

found the ideal person, both in operational track record and in his sincere quality of character to guide Procore through this next phase of growth.

Ajei has more than 35 years of proven experience, including leading a multibillion-dollar global technology company and driving shareholder value. He has relevant vertical software experience, most recently serving as the CEO at ANSYS. During his tenure, ANSYS significantly improved its operating performance and more than quadrupled its market value. His prior roles, including serving as operating partner at Silver Lake has shaped him into a versatile leader who knows how to scale innovation, navigate complexity and deliver lasting impact.

Ajai's track record is clearly impressive, but his deep passion for transforming the physical world through digital innovation is what ultimately convinced me that he was the right choice. He recognizes and values the privilege of leading software companies that help its customers build things that are lasting, tangible and impactful. In his career, he has been inspired by the pride those creators felt in building something so transformative, and he sees the same pride in construction and in Procore's customers. That shared sense of purpose is why I know he is the right leader to guide us into the future. So you'll hear directly from Ajei later in the quarter once he officially steps into the role as CEO.

Since this is my last earnings call at the helm, I want to take a moment and leave you with why I am so optimistic and confident about the future of Procore. First and foremost, let me remind you that construction is one of the largest and most essential global industries, estimated to reach \$15 trillion in construction spend by 2030, and yet it remains one of the least digitized. With Procore as the clear category leader, I believe that this market is ours for the taking, offering tremendous opportunity for durable long-term growth. Construction is a massive yet cyclical industry that has been operating in a down cycle for quite some time, which has been a steady headwind to our business.

For example, our focus area of U.S. nonresidential and multifamily construction has gone from growing 25% year-over-year in Q1 2023 to negative growth of 2% for the last 2 quarters as reported by the U.S. census. That represents a staggering 27-point reduction in growth over 2 years. And yet in that same 2-year period, Procore has continued to grow faster than this end market by approximately 10 to 20 percentage points. During that period, we also increased the annual construction volume committed on our platform by more than 30% even in the face of this headwind. And I am proud that in Q3, Procore reached another exciting milestone, surpassing \$1 trillion in annual construction volume contracted to our platform across all global stakeholders.

This clearly demonstrates our team's ability to execute and take market share even in challenging construction cycles. I want you all to know that when this cycle inevitably turns upward, and it will, we strongly believe this headwind will become a tailwind. My conviction for Procore's future is further reinforced by the strength of our platform. From day one, we've been solely focused on construction and have built the only unified construction platform that supports all types of projects from vertical to horizontal across the entire construction life cycle. By connecting people, processes and data in one place, we believe our platform is uniquely positioned to harness the power of AI for our customers. This was a key topic at our annual industry conference, Groundbreak, just a couple of weeks ago.

We announced exciting new innovations, including our Agentic road map that harnesses our comprehensive and unmatched corpus of proprietary construction data to further extend our platform advantage. Our customers were able to interact with our agents on the expo floor, and they shared that they believe that these innovations will be game-changing for the industry. At Groundbreak, I met with our Customer Advisory Board. And during a Q&A session, unprompted our customers raised their hand one by one, sharing that Procore's partnership and unwavering commitment to our customer success is why they selected us and why they continue to stay with us. It was truly a powerful moment for me, one that reinforced the impact of our true partnership approach.

Over our nearly 25-year history, this dedication has earned Procore the trust of the construction industry, which is paramount for a sector defined by high risk and tight margins. So I think this long-time customer quote for Brasfield & Gorrie sums it up well. "The Procore platform and the people behind it are enabling our teams to collaborate more effectively, operate more efficiently, raise the bar for excellence in project

execution and drive innovation in how we work. We look forward to continuing to build on this partnership in the years ahead."

My confidence in Procore's future is further bolstered by our commitment to improving our margin profile. While we have achieved 1,900 basis points of non-GAAP operating margin improvement since the start of 2023, this only scratches the surface of our profitability potential. Our business model offers substantial margin leverage. We're deeply committed to unlocking this potential and view continuous improvement here as a priority for our business. The changes implemented over the past year have positioned us for future leverage, and we currently see no structural hurdles that would prevent us from reaching our profitability milestones and compounding free cash flow per share.

I also believe that we are in a stronger position with our go-to-market model, yielding positive benefits and improved execution. To share some specifics, we are seeing higher year-over-year pipeline conversion, improved expansion rates and lower voluntary sales headcount attrition. Our customers continue to share overwhelmingly positive feedback on the increased technical resources now at their disposal, which are making them even more successful, productive and efficient. Naturally, there are areas where we want to improve and continue to get better. But overall, we are pleased with how our team is executing. And of course, this motion continues to secure new logos and strengthen existing customer relationships.

In Q3, we added new customers across all stakeholders, including one of the largest defense contractors in the world, a top 40 ENR general contractor, Valvoline Inc., one of Canada's largest electricity transmission companies, the Department of Transportation for a Mid-Atlantic state and Horowitz Mechanical. This quarter, E2Optics, a leading technology infrastructure contractor, also became a large new Procore customer. While they initially approached us for help with preconstruction, the conversation quickly shifted from software replacement for a specific pain point to full operational transformation.

E2Optics chose Procore's unified platform to gain visibility and control across the entire project life cycle, connecting estimating, operations, resource management and analytics. The key differentiator for them was the power of Procore analytics and our reporting dashboards. By standardizing their data on our platform, they can now measure performance, fuel continuous improvement and finally unlock critical project data that's trapped in siloed systems.

Moving forward, E2Optics will use Procore to build hyperscale data centers, health care, higher education and other commercial facility projects. Another new large logo win in the quarter was with the medical facilities arm of one of the largest managed care organizations in the U.S. In Q3, they purchased Procore to replace a host of fragmented solutions that led to inefficient processes and highly manual workflows. The decision to partner with Procore was driven by our proven ability to provide a construction-specific solution that streamlines operations and enhances scalability across their entire organization. They'll use Procore to build hospitals and medical office buildings across the country.

We also had strong expansion wins across stakeholders in Q3, including a leading Irish construction company, ENR 23 Brasfield & Gorrie, a top 5 ENR 600 specialty contractor, Goodman Australia and a Fortune 200 natural gas company. One of our largest expansions in the quarter was a 7-figure win with a leading hyperscale data center campus provider. With major data center projects across the U.S., EMEA and APAC, they more than doubled their annual construction volume to \$10 billion, and they went all in on Procore spanning the entire construction life cycle. A key driver in this deal was their interest in leveraging our new resource management products to create a system of record for assets and materials tracking as well as Procore Pay for lean waiver and compliance tracking.

You may recall that resource management is a comprehensive offering of labor, equipment and materials, the most critical management areas for subcontractors and self-perform GCs, and it's an area that we have made significant investments in over the past years, beginning with labor, then adding equipment last year and closing the loop with materials set to launch next year. Another 7-figure expansion win was with related companies, one of the largest privately held real estate development and management firms in the U.S. Related had been using Procore on a few regional agreements. And in Q3, they displaced a host of incumbent vendors to expand enterprise-wide on Procore, adding volume and new products.

With a large and growing pipeline of development, Related needed a scalable unified platform to connect teams, standardize workflows and deliver real-time visibility into project performance. Moving forward, Related will use Procore to execute on their expansive pipeline of large-scale commercial real estate developments as well as data centers and renewable energy projects. As you can see from these wins, our competitive positioning remains as strong as ever. We have a broad market opportunity that encompasses global general contractors, owners and subcontractors, and the landscape remains largely greenfield.

And it's important to note that many of our largest deals are uncontested. In fact, half of our top 10 new logo deals this quarter, which included all stakeholders involved no other vendor in the prospects evaluation. While investors often assume that large upmarket transactions are competitive in nature, the reality is that our clear category leadership frequently positions us as the only viable platform that can digitize the construction industry.

As you can hear from my remarks today, I have deep conviction in Procore's future. As Procore's founder, I am transitioning the company from a position of strength, ensuring that Ajei inherits a strong foundation for our next stage of growth. I believe that with Ajei leveraging his proven operational expertise as a CEO and my continued commitment to our mission and our vision as the Chair of the Board, we have an unbeatable combination. But more than that, and the time that we spent together, Ajei and I have grown close over a shared passion and appreciation for empowering the builders of the world with technology.

We already met with several of our largest customers, and I have been impressed at how quickly Ajei has picked up on the nuances of the construction industry and how he's begun to build a rapport with industry leaders. And I am very confident he's going to continue to strengthen those relationships. I'm handing over the reins with complete confidence that Procore is in the right hands and has the opportunity to deliver substantial shareholder value. The road ahead for this company and for our industry has never looked more promising, and I fully intend to remain a shareholder.

I just want to say thank you all for your support, and thank you, Ajei, and a big thank you to all Procore customers, partners, employees and shareholders who have helped us get to this point. We never could have done it without you. With that, I'm going to turn it over to Matt to walk you through our financial performance.

Matthew Puljiz

Senior Vice President of Finance

Thanks, Tooe, and hello, everyone. Today, I'd like to cover how our Q3 performance is emblematic of our commitment to free cash flow per share improvement. You've heard us reference free cash flow per share as our North Star metric and the 3 ways in which Q3 specifically improved this are: one, durable growth; two, margin expansion; and three, modest share count growth. But first, let's cover our financial results for the quarter. Total revenue in Q3 was \$339 million, up 14.5% year-over-year. Our Q3 international revenue grew 14% year-over-year and was impacted by currency headwinds.

On a year-over-year basis, FX contributed approximately 1 point of headwind to international revenue growth. Therefore, on a constant currency basis, international revenue grew 15% year-over-year. Q3 non-GAAP operating income was \$59 million, representing a non-GAAP operating margin of 17%. As for our key backlog metrics, current RPO grew 23% year-over-year and current deferred revenue grew 14% year-over-year.

Now let me share some additional color on our performance. Beginning with the top line, we delivered another quarter of net new ARR growth that was notably faster than revenue growth. This strength came from multiple areas with outperformance from our owner and specialty contractor motions, strong growth from our mid-market team and continued execution in North America. Expansion was also strong within many of these dimensions, and we continue to see cross-sell improve its contribution to expansion bookings, which we largely attribute to our go-to-market operating model. We are very pleased with these results, particularly given this execution took place in a construction macro where the combined U.S. nonresidential and multifamily sectors had negative 2% growth.

Procore's 14.5% growth is a premium of 16.5 percentage points compared to these sectors. We believe that continuing to execute the way we have will extend our category leadership and increase our market share. Our strength in the quarter also contributed to strength in cRPO. Keep in mind that this metric has been benefiting primarily from longer average contract duration, and we saw this dynamic increase further in Q3, which incrementally benefited cRPO. When normalizing cRPO for this dynamic, the year-over-year growth is consistent with both Q3 revenue growth and ending ARR growth.

We expect this disparity could shrink as early as Q4 as we begin to anniversary the longer contract duration impact. Taking a step back, the decision by our customers to lengthen their contract terms is a powerful reflection of their long-term commitment to Procore's platform. In addition to durable growth, we also delivered another quarter of improvement in our non-GAAP operating margin, which increased 380 basis points quarter-on-quarter. We are proud of this progression, which did include some onetime benefits in G&A, primarily pertaining to facility and tax reimbursements. The entire management team remains aligned and committed to continued profitability improvement, and we believe we are well positioned for margin expansion in the years to come.

From a share count perspective, our Q3 loss of diluted share count grew 1% year-over-year. Our lower dilution was driven by 2 factors: one, we continue to be disciplined in how we deploy equity compensation; and two, year-to-date, we have repurchased approximately \$129 million in stock, representing 1.9 million shares. While our previously authorized repurchase program expired in October, we are pleased to announce that we have implemented a new repurchase program for another 1-year period for an additional \$300 million. This new program maintains our flexibility to opportunistically deploy a lever in our capital allocation strategy to optimize long-term shareholder value.

Our strong Q3 results reinforce the compounding power of our free cash flow per share algorithm, which can be summarized as: one, durable top line growth. We feel very good about our ability to execute and take market share even in a challenging construction cycle; two, continued margin improvement. We have demonstrated leverage in our model and are positioned for further margin expansion in the future. And three, we expect our diluted share count to grow modestly each year before repurchasing any shares. The combination of these levers is how we intend to compound free cash flow per share and drive shareholder value.

With that, let's move on to our outlook. For the fourth quarter of 2025, we expect revenue between \$339 million and \$341 million, representing year-over-year growth of 12% to 13%. Q4 non-GAAP operating margin is expected to be 14.4%. For the full year fiscal '25, we are raising our revenue guide to a range of \$1.312 billion to \$1.314 billion, representing total year-over-year growth of 14%. We are also raising our non-GAAP operating margin guidance for the year to be 14%, which implies year-over-year margin expansion of 400 basis points.

Regarding fiscal '26, we are generally comfortable with the Street's revenue dollar estimate per FactSet and do not feel the need to update estimates at this time. Given Ajei is starting as CEO next week, we want to provide them sufficient time to onboard and ramp before providing formal guidance.

And before I close, on behalf of Howard and the entire Procore team, I want to say to Tooe, thank you. We are all grateful to have had this opportunity to work for you. Your authentic leadership has influenced us tremendously. And I know I'm not alone when I say that you have truly made this world a better place, not just because of the success of Procore, but also because of the success of our customers and the success of all the individuals you have impacted by your life's work. So from myself and on behalf of our leadership team, employees, customers and shareholders, we are thrilled that your mission continues here at Procore, and we look forward to supporting you in your next chapter as Chair of the Board. And with that, let's turn it over to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question for today comes from DJ Hynes of Canaccord.

David E. Hynes

Canaccord Genuity Corp., Research Division

First, Tooey, congrats on all that you've accomplished. I know this isn't goodbye, but wishing you the best of luck in the new role. Maybe we can start -- I think you said in the past that perhaps the signal of a turning point in end market demand would start with the owners. So I guess the question is, is that still a reasonable way to think about things? And what are you seeing in that segment of the business?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Well, let me start with what I'm seeing, and then I'll talk about the owners in particular. The headline is that what we're seeing in the macro environment is pretty much what we saw last quarter and the quarter before that and the quarter before that. So there really has not been a big change in the macro headwinds that are out there. But as I've told you in the past, I do believe that owners are -- that's where projects begin, right? And so the more owners get excited about building projects, the better it is for Procore because we sell to owners, GCs and subs.

So in general, it is a good place to look for it. And as I said in my opening remarks, we do believe that this is going to -- this headwind will eventually turn, and we will have a tailwind. And -- but I do want to also caution you that when that happens, it takes time for projects to get green lit and to get permitted and to get put into construction volume before it hits Procore's revenue. But it is -- it will turn, and we're excited about that.

David E. Hynes

Canaccord Genuity Corp., Research Division

Perfect. And then, Matt, maybe a follow-up for you. I mean the comment that stood out in your prepared remarks was that net new ARR growth came in notably faster than revenue growth. And I just want to unpack kind of what you're trying to convey there? And does that portend revenue growth acceleration here in the future?

Matthew Puljiz

Senior Vice President of Finance

Sure. This was a very common question we got 90 days ago as well when we reported Q2. And so I'll just reiterate, we had another strong quarter. We're on pace for a strong year. And all of our commentary we made 90 days ago around our base case of growth, I would reiterate that today. If anything, the third quarter just increased our confidence in this topic. Obviously, there is an upside case, there's a downside case. We can talk about those if you're interesting. But right now, we're operating well within the base case, and we feel really good about that. Our optimism is high. Our confidence is high. And yes, we're looking forward to delivering a Q4 when we report in February.

Operator

Our next question comes from Matthew Martino of Goldman Sachs.

Matthew Vincent Martino

Goldman Sachs Group, Inc., Research Division

First of all, Tooey, I'd echo the congratulations on your last earnings call on retirement. Excited to see your impact as you continue to work behind the scenes with customers. For the first question I have here for Tooey. Tooey, I'd love to hear your perspective on how you think about the data center opportunity.

I appreciate that this is a kind of 2%, 3% share of nonres historically, but there's been a flurry of major announcements in the past 3 months. Procore itself signed a large expansion in the quarter. Wondering if your thinking here has evolved on how impactful the data center build-out can be for Procore, especially with a few of your larger customers directly tied to the theme. And I have a follow-up.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. So Matt, first and foremost, I would have corrected you, but you've said it for me, which is data centers as exciting as they are, do not make up a very large portion of the overall construction economy. But I think that being said, first, I also want to say Procore has done very, very well in the data center world. We're everywhere, and it's something that we're very proud of. I mean it is a strength. But as you know, the construction economy is made up of many different sectors. And when one wanes, one waxes. And so we have a -- that is one example of an area in the market, which is doing particularly well. But you can also look at things like multifamily, which have been struggling for the last few years as a downward trend. So data centers are exciting. Everybody is talking about it, but it is a small portion of our business.

Matthew Vincent Martino

Goldman Sachs Group, Inc., Research Division

Got it. And then, Matt, for you, nice to see cRPO hanging in there in the mid-teens. Could you maybe peel that back a little bit and give us a sense of how renewals trended in the quarter, whether you're seeing a higher proportion of stable or growing ACV commitments relative to the past few quarters?

Matthew Puljiz

Senior Vice President of Finance

Yes. It was -- the 2 dynamics influencing the reported number were all of the strength Tooey talked about in the strong quarter. And I would include renewals in that category. It was very healthy in that regard. The other dynamic, obviously, is what we also called out in my prepared remarks around the contract duration ticking up. But the underlying health of the business, I would describe as stable to positive and trending in the right direction. So we feel pretty good about that.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. Matt, one thing that just jumped out at me, and that's why I put it in the prepared remarks is the fact that Procore now has \$1 trillion of committed construction volume annually on our platform. And when I set out to start this business many, many years ago, I could have never imagined having that amount of impact on an industry, and it's just a testament to how we're doing with the new acquisition of customers as well as our expansion of our existing.

Matthew Puljiz

Senior Vice President of Finance

And Matt, you might remember last November at the Investor Day, that number was roughly \$900 billion. So it gives you another sense of how customers are feeling about their renewal activity with us.

Operator

Our next question comes from Brent Thill of Jefferies.

Brent John Thill

Jefferies LLC, Research Division

Tooey, the cRPO, I think, is the highest growth you've seen in 7 quarters. And I'm just curious if there's anything to consider? Is that just a sign of, hey, ongoing continued good execution, macro may be opening up a bit or any other factors on that side? And I had a quick follow-up.

Craig F. Courtemanche

Founder, Chairman, CEO & President

I'm going to let Matt start, and I'm going to come in over the top.

Matthew Puljiz

Senior Vice President of Finance

Yes. Brent, so the 2 drivers of the cRPO performance are: one, strong quarter. We can talk about our category leadership. I'll let Tooey cover that. And then obviously, the second dynamic is the increasing contract duration that we've been having. When you -- normalizing for all of that, the underlying cRPO growth rate is very consistent with the revenue growth rate in the quarter. But I'll let Tooey explain like thematically what's been happening in the business.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Well, so as you hear me say all the time, Brent, that first and foremost, the opportunity is just -- is so large. The TAM is so big. And also the fact that we are the system of choice for the industry when it comes to construction management, primarily because we're the best platform that's out there. And I think the other contributing factor is our go-to-market motion has been very strong, and it's driven by an extremely good brand presence in the markets that we serve. So all of that just reflects the strength of us and how we're feeling -- how our customers feel about us.

Brent John Thill

Jefferies LLC, Research Division

Okay. And just on the go-to-market too, you mentioned it's yielding benefits. I know many of the changes are in the rearview mirror. But where have you started to see kind of the biggest improvements in the field? What has been maybe your and Larry's proudest moment of what the changes? Is there 1 or 2 areas that you're -- you can point to and highlight that this has been a great outcome?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. So I would say, primarily, the customer intimacy that we have generated through providing additional resources to our customers to make them more successful is something that really is driving a lot of goodwill, which leads to both revenue expansion on dollars committed as well as additional products being sold. So that has that downstream impact, which is really, really powerful. And so we have been kind of excited about that. And I don't know if you want to add anything.

Matthew Puljiz

Senior Vice President of Finance

Yes. So I would talk about there's some pretty tangible benefits we've seen. Overall, improved execution, which is great. We've now had a few quarters in a row, really began in Q4 of last year and it's continued in Q3 of this year. We've got higher pipe conversion, which is a great sign, improving expansion rates. We've actually had lower voluntary headcount attrition in sales and go-to-market, which is great. That keeps productivity online for a longer period of time. And then clearly, the big one is when you hear directly from customers themselves and Tooey touched upon that. So in aggregate, we feel like we're operating quite well. We think we are where we thought we would be. At the same time, there's no mission accomplished banner being hung up in the Procore offices here. We want to get better. We see opportunities to get better, and we will. But we're pleased where we are right now.

Operator

Our next question comes from Saket Kalia of Barclays.

Saket Kalia

Barclays Bank PLC, Research Division

Tooey, really nice way to cap off your term as CEO. So kudos. Tooey, maybe on that topic for you. I don't know if it's been said yet, but just congrats on hiring Ajei. I mean he did a great job at ANSYS. So great to

see. Understanding that he hasn't started yet, what are some of his ideas about the business that maybe intrigued you during the search process? I'm curious. And I don't want to preannounce anything that he's planning, but I'm just kind of curious what was intriguing about some of his thoughts on the business?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. Well, so it was remarkable because early on in the conversations that Ajei and I were having, we kept honing in on our passions around serving the people who build the world around us. And his experience prior to his new role at Procore really, really -- is a good analog to what we're trying to do here. So first and foremost, that was kind of the moment where I think we both saw like, wow, this is something that could be great. And I've had the great privilege of getting to know Ajei over the last couple of months and even more in the last few weeks. But it just turned out that he is not only a great operator, but he's also just a great person. And I was driving into work this morning, thinking to myself like I am more confident now than I've ever been because I have so much faith in him, and he's such an inspirational leader. So that's a comforting place to be in this moment in my life.

Saket Kalia

Barclays Bank PLC, Research Division

Yes. That's great. Matt, maybe a few for you for my follow-up. I know we don't talk about net revenue retention rates expressly, but it sounds like they're trending up. I was wondering if you could confirm that. And maybe more specifically, what products specifically are sort of driving what sounds like an improving NRR and whether we can -- we think it can continue into next year?

Matthew Puljiz

Senior Vice President of Finance

Sure. So there's some puts and we disclose that metric every Q4. And when we report in February, we'll definitely quantify it. So I'll keep my answer qualitative to your point. But there are puts and takes going on in there. I would describe churn year-to-date as stable, which is good. I would describe expansion as improving. So those 2 things would be the tailwind going into NRR. The headwind would actually be the same dynamic that's happening in cRPO with the longer contract duration. One of the reasons why customers are electing to take longer-term contracts is the option to pool your construction volume. You may have heard us talk about this before, pooled models. Pooled models are a great option for customers. It's a win-win. We get a longer commitment. They get a lot more flexibility. We're quite happy about that.

But those contracts do come with an NRR of 100% throughout that contract term. So that's the headwind. So I wouldn't be surprised we end up in a very similar place where we were last Q4. This is why it's not the best metric for us. You can see the financials may look good, but NRR may look unchanged for all the reasons I described. And then on the product front, if I had to single one, I would probably pick financials. But as you may have recalled, what we talked about at Groundbreak, we're pretty optimistic about what's going on in resource management. And there's -- those are things there that are going to be quite beneficial to us in the long term.

Craig F. Courtemanche

Founder, Chairman, CEO & President

I would drill in analytics as well. Our customers love our analytics product.

Operator

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

Jason Vincent Celino

KeyBanc Capital Markets Inc., Research Division

Tooe, it's been a pleasure, and we'll still see you at Groundbreak. So you're not -- you won't disappear from our lives completely. But like taking a step back a little bit, I think when you guys went public 4

years ago, you had that chart showing that construction was second underdigitized industries. I know the industry has made a lot of progress over the last few years but...

Craig F. Courtemanche

Founder, Chairman, CEO & President

Agriculture and hunting, Jason, yes.

Jason Vincent Celino

KeyBanc Capital Markets Inc., Research Division

Yes. Yes. Good memory. When we think about what the next 5 years might look like, like where do you think the industry digitizes the most? Open-ended question, but thought I'd ask. Yes.

Craig F. Courtemanche

Founder, Chairman, CEO & President

Yes. By the way, this is one of the things that I just am so grateful for because we do have this corpus of proprietary construction data that is unprecedented. In this era of AI, I believe that we are extremely well positioned to drive tremendous productivity into the entire industry, from the owners to the GCs all the way to the subs. And it's because we have this data that we can share with the industry. So they don't have to make the same mistakes over and over again, and they can optimize their business. And the industry has been plagued for decades with a labor shortage. The more we can do to drive productivity into the organizations that we're serving, the better they perform as companies and the more grateful they are and the more they want to buy at Procore. So I'm really excited about our opportunity to leverage the data on the platform to enable this industry to get off the bottom of that list and move up.

Jason Vincent Celino

KeyBanc Capital Markets Inc., Research Division

Okay. Great. And then I think you're still beta testing some different pricing and packaging adjustments. Just curious how that testing is going and when we might hear more concrete details of when these changes will be rolled out across the board?

Matthew Puljiz

Senior Vice President of Finance

Sure. I can take that one. So what Jason is referring to, if you don't know, is historically, our products have been sold a la carte. And we are in a pilot right now with a cohort of current customers and new logo prospects where we are offering our solutions in a kind of a good, better, best bundles and packages that are tailored to the stakeholder. So, so far, Jason, it's going quite well. I would say the feedback from customers has been positive in terms of the simplicity of the menu of options. If you want to land with a modest amount of solutions, you can and you have a very clear graduation path to adopting a bit more, and that was the downside to our prior, I should say, our current model right now. We're not really expecting this offering to really change the financial trajectory of the business. It's really just more about simplicity and having something very digestible for customers to kind of consume, so we can digitize them on their own journey path.

Craig F. Courtemanche

Founder, Chairman, CEO & President

And Jason, we've been hearing this for years from our customers that there's a certain subset of our prospects that would much prefer a simpler pricing model, so they don't have to go through the a la carte process. So this is just another example of Procore meeting our customers where they want us to meet them. And I am very excited that it is showing such positive results.

Operator

Our next question comes from Joe Vruwink of Baird.

Joseph D. Vruwink

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Robert W. Baird & Co. Incorporated, Research Division

Congrats, Tooey. The large deal activity is good to see. There's nothing that strikes me about the seasonality in 2Q and 3Q that's naturally conducive to large deals or surfacing large deals. I would think that 4Q is probably when more large deals tend to happen. So I just wanted to confirm that point that you're not pulling anything out of the pipeline early, that sort of thing. But more specifically, just asking about how the 4Q large deal opportunity is shaping up. And if the conversion rates you noted earlier stay at pretty good levels, could that maybe be an upside driver as you think about how you're going to exit this year?

Matthew Puljiz

Senior Vice President of Finance

Yes, it's a great question. I'll start and Tooey can kind of come in over the top. So you're right, typically in software and certainly at Procore's history, you do not see the large deal activity in the middle of the year. You typically see it in Q4. It's difficult for us to discern if this is a new pattern given it's a small sample size. But I do think the one large change from our past to today is we are in a little bit of a different operating model. So we are giving the team credit for that. I would say our Q4 pipeline is healthy. I like the breadth of it. We have a large quantity of different stakeholders, different geos, different deal sizes, frankly. So whether the large deal activity continues in Q4 or not remains to be seen, but our optimism is quite positive in Q4.

Craig F. Courtemanche

Founder, Chairman, CEO & President

I guess the only thing I'll add is, I said this in the opening remarks, and Matt just alluded to it, but the success in the quarter was based on a broad set of stakeholders, right? So we're no longer a company that relies super heavily on GCs. We have a very strong owners business and a subcontractor business as well. And so going into Q4, it's nice to see that mix across all stakeholders.

Joseph D. Vruwink

Robert W. Baird & Co. Incorporated, Research Division

Okay. That's great. And then I wanted to ask, I know you kind of addressed 2026 with where Street estimates are. I guess, leaving that aside for a moment, I think in the past, another way you typically addressed forward revenue potential is to steer folks back to your cRPO growth. And so if that's growing very near revenue today, I would normally think about that type of growth rate as maybe a starting point for what next year's revenue can be. Without getting super explicit on the exact number, is that relationship still applicable here? Or has something changed about cRPO where it's not going to have that relationship anymore?

Matthew Puljiz

Senior Vice President of Finance

I would say that relationship would still exist, but I do think we have to remember, we are getting a new boss on Monday. And when we want to provide our formal guide for next year, we'll do that in February. And then I think that's probably the best point in time to talk about next year more specifically than we have done this year. But we can't speak about Q3. We can talk a little bit about our confidence level in this current quarter. That remains. And I would use that information as you wish.

Operator

Our next question comes from Joshua Tilton of Wolfe Research.

Joshua Alexander Tilton

Wolfe Research, LLC

Congrats Tooey on a great run. And congrats, Matt, on tonight, you did a great job. Two questions for me. Maybe the first one, kind of a follow-up to Saket's question, but a little bit more direct. Tooey, you're messaging how you feel you're leaving the company from a position of strength. So as you transition the

leadership role from a position of strength to somebody who we also agree with you is going to be a great leader, where do you just see the -- where do you see the place that Ajei can maybe make the biggest positive improvement to the business over the next few years?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Well, as I mentioned, Josh, when I went out searching for the next leader of Procore, the primary driver I was looking for is somebody who's actually seen this before. They've taken a business from \$1 billion to \$3 billion to \$5 billion and that they actually know and have the pattern recognition to do so and to do so successfully. The other piece was across the fact that Ajei has so much experience building a global business, building out partner ecosystems, all the things that are kind of the next phase needed for Procore. So I think he brings a toolbox with him that is filled with the tools that are required to build the future of Procore.

Joshua Alexander Tilton

Wolfe Research, LLC

Helpful. And then maybe just a follow-up for Matt. Also maybe I acknowledge it's a little too early here. But I guess when we think about Ajei's ability to make all those changes that you just mentioned 5 seconds ago, you're very clear on the call that you guys are committed to expanding margins going forward. Do you feel like you can remain committed to that margin expansion while also giving Ajei the room that he needs to improve the growth profile of the business if he believes that that's the right path for Procore going forward?

Matthew Puljiz

Senior Vice President of Finance

Short answer is yes. I think the range of magnitude and the exact quantification of that needs to be determined, which I think your question is very spot on and fair and quite frankly, something we'll be talking about a lot internally over the quarter before we lock this plan. But we have been spending some time with him already before his formal start date. And I'd just echo the comments Tooey made. This is a very credible operator. He has really asked a lot of excellent questions to us. And I'm speaking -- I'm filling in for hour tonight, but I think it's very safe to speak on his behalf by saying our job is to give him as many options and paths and flexibility as possible.

And we are guiding for 400 bps of non-GAAP EBIT expansion this year. I think that's a very doable number next year. And I think it's likely we go a little bit higher than that. But beyond that, I think it's appropriate for him to get into the seat and then we can actually deliver something next year.

Joshua Alexander Tilton

Wolfe Research, LLC

Super helpful. Congrats again, and we're very excited to see what Ajei can do. We agree on everything you said about it.

Operator

Our next question comes from Ken Wong of Oppenheimer.

Hoi-Fung Wong

Oppenheimer & Co. Inc., Research Division

Since we're coming off of Groundbreak, Tooey, would love to get some feedback from you in terms of kind of how customers were talking about the competitive landscape? What were you hearing in terms of your product versus one of your larger peers out there? Any kind of changes out there that you were picking up on?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Great question, Ken. I have to be totally honest with you. I didn't talk to one customer who brought up a competitor once at Groundbreak. So that didn't happen. But let me focus on the feedback that we got. The feedback is that our customers and our prospects that attended Groundbreak were yet again blown away by the achievements we've done over the last 12 months since the last one. And we are just getting very, very positive feedback. I want to tell you, too, they're very excited about AI, right? And as you know, this is going to change the world, and we're really bullish on it.

I received an e-mail yesterday from one of the -- the CEO and the Chairman of the Board of one of the largest construction companies in America talking about wanting to partner with me and partner with Procore on -- to get like a front row seat to Procore's AI strategy as well as getting access early to our tools. So there is a lot of excitement around the things that Procore can do. And yes, so that was no real talk to talk about competition at all.

Matthew Puljiz

Senior Vice President of Finance

But Ken, it's Matt. I would add, as far as actually what like the internal data shows, I'll just reiterate what Tooey had said in his prepared remarks, we feel like this dynamic is quite favorable to Procore, and we stand behind our past disclosures on this front. It's been very consistent, very positive. So we feel quite good about it. We respect our competitors quite a bit, but we are very confident in ourselves to continue our category leadership.

Hoi-Fung Wong

Oppenheimer & Co. Inc., Research Division

Got it. And then maybe just quickly, and I know you've touched a lot on the kind of the longer duration. I guess when you're looking at that data, any sense how much of that is maybe product driven in terms of kind of customers wanting to commit more because of product and therefore, it makes sense to maybe stretch things out. How much of that is the go-to-market, obviously, pushing up enterprise, you'll naturally see longer-term deals. Any context you can give us in terms of kind of some of the key components you think might be kind of pushing customers in this direction?

Matthew Puljiz

Senior Vice President of Finance

I think all the things you bring up are fair and are contributing. A couple of things to note. Our go-to-market folks, they're not incentivized to sell a 3-year contract over a 2-year contract. So the duration or the term is very much determined by the customers themselves. Now some may want a longer period of time to ramp into greater amount of products as you're bringing up. But if I had to pinpoint one specific cause or one specific driver, it probably has to do with these pooled contract models. And it's really about having more flexibility to deploy volume given there might be uncertainty into their project schedules. That would probably be the single biggest driver. But yes, as we move more upmarket, as we establish more strategic relationships with these customers, all of that's going to come with longer duration.

Craig F. Courtemanche

Founder, Chairman, CEO & President

I'd also point out that I firmly believe that we are so mission-critical to the customers that we serve and that it only makes sense for them to make a longer-term investment in us. It's very difficult to rip and replace all of the things that Procore does. So when you make a commitment to Procore, you're making a commitment, and that's, I think, a testament to how mission-critical we are.

Operator

Our next question comes from Daniel Jester of BMO Capital Markets.

Will S. Hancock

BMO Capital Markets Equity Research

This is Will Hancock on for Dan Jester. So you guys touched a bit on the macro environment, but just wondering if you'd be able to share any additional color on the current demand environment, if you're seeing traction in international geos given your guidance and sales changes to give regions added layer of support?

Craig F. Courtemanche

Founder, Chairman, CEO & President

Maybe I should just start by saying I'm going to reiterate, no change notably at all in the macro environment, still a challenging macro environment, both in the U.S. and abroad. And so not a lot to say there. I don't know if you want to.

Matthew Puljiz

Senior Vice President of Finance

No, I concur. It's been very consistent, not getting worse, not getting better. It's been quite stable, but it's been a steady headwind for us.

Craig F. Courtemanche

Founder, Chairman, CEO & President

But I will say we're very, very optimistic about our performance facing these headwinds and it's something that we're proud of.

Matthew Puljiz

Senior Vice President of Finance

That's right. Yes. And when it does turn, we expect it will be a tailwind to the business. It's just difficult to determine when that will occur.

Will S. Hancock

BMO Capital Markets Equity Research

Great. That's helpful. And then a quick one here on the 4Q guide. How should we think about hitting that top end of the range? And what kind of assumptions did you guys factor in on the lower bound?

Matthew Puljiz

Senior Vice President of Finance

I would say regarding our guidance, the philosophy has not changed. And so you can kind of trace that back to what we have done in the past and what we've delivered, and we've applied that same mentality to the fourth quarter. So we continue to be confident and stand behind that guide.

Operator

At this time, we will take no further questions for today. So therefore, that concludes today's conference call. Thank you all for joining. You may now disconnect your lines.

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