Procore Technologies, Inc.

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Earnings Call

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Call Participants

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Rachel Pyles
CFO & Treasurer

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Presentation

Operator

Thank you for standing by. My name is Kate, and I will be your conference operator today. At this time, I would like to welcome everyone to the Procore Technologies, Inc. FY '26 Q2 Earnings Call. [Operator Instructions]

I would now like to turn the call over to Matthew Puljiz, SVP of Finance. Please go ahead.

Matthew Puljiz
Senior Vice President of Finance

Good morning, and welcome to Procore's 2026 Second Quarter Earnings Call. I'm Matthew Puljiz, SVP of Finance. With me today are Ajei Gopal, President and CEO; and Rachel Pyles, CFO. 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 performance, platform and products, customer demand, business strategies, transactions and operations. 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 July 30, 2026.

Procore undertakes no obligation to update any forward-looking statements, except as required by law. If this call is replayed after today, the information presented may not contain current or accurate information. Therefore, statements made during this call 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 Ajei.

Ajei S. Gopal
President, CEO & Director

Good morning, and thank you for joining us today. I'm delighted to report that our core business continues to perform very well as evidenced by our outstanding financial and operational results for the quarter. Nearly 9 months into my tenure as CEO, I have a clear view on Procore's go-forward strategy and the operational rigor needed to execute it, and I'm more excited than ever about our prospects for the short and long terms.

Procore has built one of the most essential vertical software platforms in the industry. A system of collaboration that creates a powerful network effect across the industry's stakeholders. We sit at the intersection of the physical and the digital world, where the decisions made on paper meet the realities of the job site. I believe we have the opportunity to lead in the AI era by continuing to build a true next-generation AI-native construction management application that delivers meaningful efficiency and safety gains across the construction life cycle. Saving our customers time and money.

We have taken concrete steps towards that vision, through both organic development and two targeted acquisitions, including our agreement to acquire DroneDeploy which we announced yesterday. Even as we pursued our strategy, we have continued to execute, recruit key personnel and organize ourselves for success. This quarter's outstanding results and our raised expectations for the year reflect that discipline. My conversations with customers these past months have only fortified my conviction in our business and our path to long-term value creation.

I'm confident that the strength of our business, our ability to execute and the depth of our customer relationships give us a clear runway to durable growth, meaningful margin expansion and compounding free cash flow per share.

Let me start with the quarter. Q2 was an outstanding quarter for Procore, where we delivered 15.8% year-over-year revenue growth and 21.5% non-GAAP operating margin, which represents 800 basis points of year-over-year margin expansion. I'm excited that in Q2, we signed a contract for the King Salman International Airport or KSIA in the Kingdom of Saudi Arabia. This public investment fund project, which will become one of the largest airports in the world is implementing Procore for unified digital construction management.

Working with strategic delivery partner to Salman, KSIA will use Procore to have one connected source of project data from design through delivery with stronger governance and transparency from the earlier stages. To reflect our momentum in the market, I'm pleased that we have raised our annual guidance just as we did last quarter. I am also excited about the margin expansion we have delivered over the past few years. The operating leverage we are building and our commitment to sustained profitability. Rachel will walk through the details in a few minutes.

Our core U.S. residential and multifamily construction market has experienced significant growth deceleration over the past 2.5 years, leading to negative growth in late 2025. Despite this, Procore has sustained mid-teens top line growth, significantly outperforming the end market and reflecting the critical nature of our products and our ongoing success across stakeholders.

Today, we are seeing an uneven end market with weakness in certain subsectors, such as manufacturing and unprecedented strength in data center construction, driven by ongoing investments in AI. In the U.S. alone, construction spending in the data center subsector has tripled over the last 3 years, according to Goldman Sachs Research. Commercial real estate services company, JLL reports that nearly 100 gigawatts of new data centers will be added between 2026 and 2030, doubling global capacity.

The enormous magnitude of spending on data center construction will continue to drive top line benefits to Procore. And of course, any acceleration in data center construction would be an additional tailwind for us. Procore is the market leader in data centers with 9 of the 10 largest North American data center sites using our solutions during construction. Because data centers is a highly sophisticated facility built on the tight deadline. Our customers rely on Procore to automate approvals and communication and to keep every stakeholder collaborating in real time on a single platform.

We are expanding our solution set with new product capabilities in connected commissioning and asset workflows. And through our NVIDIA partnership, we are streaming Omniverse powered 3D digital twins of data centers directly inside Procore. In Q2, we closed our largest contract in EMEA history. A nearly $7 million agreement with a European company that builds hyperscale AI data centers across Europe, the U.S. and APAC. This company will use Procore as a system of record for the entire global construction program, including project execution, document control and cost management. In the process, this customer will replace size spreadsheets with a single standardized audit-ready platform integrated into ERP.

Moving to our products. Procore was founded with a mission to bring efficiency and collaboration to the job site. Since then, we have expanded our market leadership evolving from a system of record to a global system of collaboration. We are with physical assets and activities are digitized and where actions are taken to change the physical world. And our technology strategy is anchored by four key pillars: our extensive data set and depth of context, fueled by nearly 3 million active users, the trust we have established through a secure and compliant infrastructure, the powerful network effect of having dozens of stakeholders collaborating on every project and our focus on moving work forward in addition to providing insights.

Building on this foundation, we are now integrating AI into our platform's core to address the industry's most pressing challenges, including a labor shortage of nearly 350,000 workers in the U.S. alone. Our AI-powered digital coworkers are designed to bridge this gap by delivering purpose-built capabilities for every project stakeholder. To accelerate our ambitious road map, we are driving organic innovation alongside strategic acquisitions. Specifically DataGrid, which joined our portfolio in January and DroneDeploy our latest announcement yesterday.

After closing the DataGrid acquisition, we focused on technical integration and launched Procore AI through a dedicated specialist team working as an overlay alongside our core sales force. Our product enabled customers to use construction-specific AI natively and with full context within their existing Procore environment. In the last week, we have expanded our library of prebuilt digital coworkers to 20 AI agents purpose-built for construction, and we expanded sales to include our broader go-to-market organization.

Initial customer interest has been very positive with leading companies, including HASCO and Level 10 Construction amongst the early adopters. Another great example is Consigli a top North American general contractor and Procore customer for more than a decade. As part of our early limited availability program, the company moved from an internal AI hackathon to deploying four Procore AI agents in three test projects to help with common workflows like reviewing submittals or drafting RFI.

Switching drawings that once took their project engineers 30 minutes now takes 5. Material verifications that took 10 minutes can be accomplished in seconds. With that success, Consigli is now deploying the generally available Procore AI across 50 projects. We are very excited about the speed at which data grade has been integrated. The reception by our customers to our Procore AI strategy and the momentum we are building in our AI business. This early success gives us further confidence to make another AI accelerating acquisition in DroneDeploy.

I will cover the strategy around DroneDeploy, while Rachel will discuss the financial details. As a leader in reality capture and robotic automation, what we are calling visual intelligence DroneDeploy bridges the physical construction site with the digital world, delivering critical real-time visibility into job site activity. While its name reflects its origins with drone-based imaging, the company has evolved over the last 13 years into a fully unified platform for three-dimensional ground and aerial imaging. Spanning drones to ground deployed robots as well as mobile, fixed and wearable cameras.

Their products are based on artificial intelligence and machine learning with particular focus on computer vision and image recognition. Their robotics solutions enable robots and dock drones to conduct scheduled fully autonomous missions, launching, capturing and uploading data without on-site personnel. DroneDeploy is being used on over 3 million job sites across more than 180 countries, including many of the large data centers that I mentioned earlier. It is important to note that Procore and DroneDeploy offer complementary solutions that do not overlap. As long-term partners, we have market tested integrations that joint customers are using today. As soon as the transaction closes, we intend to rapidly build on those integrations to deliver AI-enabled intelligent multimodal capture via cameras, drones and robots deeply integrated into the Procore platform. We expect our augmented solutions will address some of the most challenging pain points customers are facing.

Building on their strong AI and technology foundation, DroneDeploy has recently developed three AI agents to enable customers to track progress like safety risks and monitor asset conditions. These agents, which are in the early stages of commercialization, are intended to optimize entire workflows, and they help point the way to how Procore AI will transform construction management software.

To illustrate, I'll reference the customer scenario I mentioned on our Q4 call. I described how during a job site inspection, a supervisor manually took videos of a column to share with stakeholders. An early incarnation of a Procore digital coworker analyze the audio and visual cues and the specifications and determined that the column had been coded incorrectly and ordered remediation. What would have normally demanded several hours of manual effort and specialized expertise to navigate across project specifications was solved by Procore AI in minutes.

When DroneDeploy added to the scenario, the manual job site inspection and logging up observations will no longer be the trigger. Instead, a multimodal perception capability driven by a range of cameras, drones, robots and other devices will regularly evaluate the construction site and automatically initiate any appropriate response, securely, compliantly and in the right context.

With the acute shortage of labor faced by the construction industry, even the simple example shows that AI-driven automation is a potential game changer because action can be taken without waiting for a site visit by an overscheduled supervisor. This example demonstrates how Procore in the future will incorporate a seamless integration of several capabilities, purpose-built for construction, specifically advanced reasoning or the brain, perception or the eyes and ears and a secure, collaborative and auditable platform where actions are taken or the arms and legs.

Such a system will enable us to deliver digital coworkers. For the field and in the back office. The track what's actually happening on a project make sense of it and they take action to change the outcome. That's real value for customers. It offsets labor shortages, and saves time and money.

Now let me talk about the power of data. Data is the lifeblood for AI. Access to relevant data separates a proof of concept from a mission-critical AI offering. DroneDeploy has captured 20 trillion square feet of visual construction data, an area about the combined size of California, Arizona, New Mexico, Texas and Louisiana. And it goes well beyond raw reality capture. That data includes tens of millions of user-generated annotations, image segmentation, construction progress labeling and well over 100,000 label safety issues. That data will enable us to create smarter AI solutions to solve genuinely meaningful problems in construction. Once the transaction closes, we plan to immediately cross-sell DroneDeploy solutions into our broader customer base and vice versa.

We already share nearly 600 mutual customers, including enterprise brands like Skanska and Turner, a substantial number that validates both the organic demand and the clear synergy potential. Beyond this overlap, we estimate that there are several thousand existing customers of Procore, who could benefit from a combined offering.

As a trusted partner, Procore is well positioned to drive adoption of DroneDeploy across those customers. As I reflect on the quarter, four key points stand out. First, our core business is performing incredibly well. Second, we have a well-defined strategy to emerge as a leader in the AI era. And I'm excited that DroneDeploy with its strong AI foundation will make a significant contribution to that strategy.

Next, even as we are implementing our strategy, we continue to improve our operational capabilities as evidenced by our exceptional results in the quarter and our raised guidance. And finally, as I speak with customers, I'm even more confident in our direction, our ability to execute as a success of our company. Let me end by thanking my fellow Procorians for their tireless dedication to our customers.

And with that, I'll turn the call over to Rachel. Rachel?

Rachel Pyles
CFO & Treasurer

Thanks, Ajei, and thanks, everyone, for joining us. Before I get into the results, you will notice we are introducing a new supplemental earnings presentation this quarter, which can be found alongside our press release on our Investor Relations website.

We had an excellent Q2, beating the high end of our revenue guidance by approximately 2.5% and delivering our first quarter of GAAP operating profitability. Total revenue in Q2 was $375 million, up 15.8% year-over-year. Our Q2 international revenue grew 23% year-over-year or 19% on a constant currency basis. Q2 non-GAAP operating income was $81 million, representing a non-GAAP operating margin of 21.5% and up 800 basis points year-over-year. And free cash flow was $65 million, up 507% year-over-year.

We ended Q2 with broad-based momentum driven by strong operational performance and robust demand across our portfolio. Large deal execution led the way. We are seeing customers increasingly commit to larger, more strategic partnerships with us, which speaks to the critical role we play in their operations. When we look under the hood of the large deal performance, the strength was multifaceted. We gained significant traction landing high-profile new logos across both domestic and international markets while rapidly accelerating our momentum in large-scale data center opportunities.

This ability to win across multiple vectors gives us confidence as we head into the back half of the year. Our strength in the quarter also contributed to improvement in cRPO where our year-over-year growth rate accelerated by 100 basis points. The primary driver of this quarter's acceleration was stronger underlying bookings performance. cRPO also benefited from an increase in our average contract duration. When normalizing cRPO, the year-over-year growth remains highly consistent with both our Q2 revenue growth and ending ARR growth. As a reminder, once contract duration stabilizes, reported and normalized cRPO growth will eventually converge with revenue growth.

Turning to profitability. We are pleased with the margin expansion delivered this quarter, which is reflected in both our non-GAAP and GAAP results, the latter reflecting the company's first quarter of GAAP operating profit. This reflects not only strong execution across our teams, but also the growing inherent operating leverage in our business model. This quarter's performance is an initial step in a broader trajectory of profitable growth. Looking ahead, we are committed to driving sustained efficiency.

Specifically, we are initiating FY '27 guidance for non-GAAP operating margin at 25% which would represent nearly 1,100 basis points of improvement versus FY '25. As we scale further, we will continue to optimize our cost structure, which includes tailwinds from AI efficiencies. We intend to build on the significant margin expansion we've delivered over the past few years, carrying that same upward momentum into the future.

Next, I want to discuss our exciting agreement to acquire DroneDeploy for $845 million in cash. We approach M&A with a high bar for both strategic alignment and financial rigor. We selectively evaluate targets that can accelerate our strategy but maintain strict discipline by ensuring every deal is financially accretive to our business over time. That dual focus on strategic acceleration and financial returns remain central to our capital allocation philosophy.

As Ajei detailed, this acquisition represents an important component of our AI strategy, and we see significant synergy opportunities across the combined businesses that will directly benefit customers. To give you a sense of scale, DroneDeploy has generated approximately $78 million in trailing 12-month revenue. We expect this transaction to be accretive to organic revenue growth, and importantly, we expect to absorb their near-term margin headwind with no changes to the FY '26 and FY '27 margin outlook we have shared today. We remain confident in our multiyear margin expansion road map.

In terms of funding, we have arranged committed bridge financing to fund a majority of the purchase price while we evaluate and finalize our long-term capital structure solution in the most EPS-accretive manner. Because we expect the deal to close later this year, we will provide formal financial details along with any relevant capital updates at the appropriate time. With that, let's move on to our outlook. And to reiterate, this outlook represents our organic business and does not reflect any contributions from DroneDeploy.

For the third quarter of 2026, we expect revenue between $382 million and $384 million, representing year-over-year growth of 13.3% at the high end. Q3 non-GAAP operating margin is expected to be between 19% to 19.5%. For the full year '26 we are raising our revenue guide to a range of $1.51 billion to $1.514 billion, representing total year-over-year growth of 14.5% at the high end. We are also raising our non-GAAP operating margin guidance for the year by 50 basis points to be between 18.5% and 19% and which implies year-over-year margin expansion of 440 to 490 basis points.

Finally, we are raising our free cash flow margin guidance by 50 basis points to 19.5%, which implies year-over-year free cash flow margin expansion of approximately 310 basis points. It is important to note, we are confident that we can maintain our margin guidance post the closing of our acquisition of DroneDeploy.

In summary, we delivered an excellent quarter that highlights both our top line growth and expanding margin profile by pairing our underlying business momentum with the synergistic acquisition of DroneDeploy, which bolsters our AI strategy we are setting up the business for sustained profitable growth. We remain focused on relentless execution and building on this momentum to generate compounding free cash flow per share over the long term.
With that, let's turn it over to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] We will pause for just a moment to compile the Q&A roster. Your first question comes from the line of David Hynes with Canaccord.

David E. Hynes
Canaccord Genuity Corp., Research Division

Congrats on a nice quarter and the exciting acquisition. I'll just start with DroneDeploy. I'm just curious what convinced you that, that business was an asset Procore needed to own rather than continue to partner with? I mean was it the pace of AI innovation, was it what you saw with customer demand, something else? I'm just curious kind of the motivation behind the deal?

Ajei S. Gopal
President, CEO & Director

Sure, I mean, that's a great question. Look, we are seeing right now, I think it's stating the obvious. We're obviously seeing a profound transformational opportunity in the industry. I think AI is making an enormous impact on a number of different industries. And certainly, we see an opportunity for us to be able to create this next-generation AI-centric AI-first construction application, which we believe will have tremendous impact on our customers.

And as we start to lay out the strategy of what we needed to do, it became very clear that the perception piece of it was something that needed to be part of our strategy towards delivering digital coworkers. I mean when you think about the concept of a coworker, the whole idea is to be able to collect information, reason about it and act and one aspect of that collection was something that we -- that aspect of perception was something that we needed to add into our business.

And obviously, when you look at the technology that DroneDeploy had developed, we are long-time partners. We understand how to work with them. We have a great culture. They have deep technology. They have really great people. And we saw that opportunity to be able to integrate them into our organization very seamlessly. We had, as I mentioned in my prepared remarks, we have something like 600 or thereabouts combined customers.

And having seen success at those customers, that gave us confidence and certainly our diligence work as well gave us confidence that we have an opportunity post close to be able to introduce DroneDeploy in the short term directly into our customer base, we have thousands of customers who are not using DroneDeploy today, and that represents incremental opportunity.

So we saw -- and as part of this acquisition, we saw the opportunity to not only drive our long-term strategic direction towards creating digital coworkers with some great technology, we also saw the opportunity in the short term to be able to achieve some of the synergies that I think are relevant in an acquisition and the strategic acquisition of this nature.

I'd also make the point about robotics. And this is something certainly we all believe that robotics has a future to play on the construction side. And obviously, DroneDeploy has investments in robotics, and that exposes us to the future of robotics as well. So there are a number of areas where we were very excited about this technology, very excited about the company and great partner. But certainly, the opportunity right now to build this AI native application for the future is on us. It's right in front of us. We have a great strategy. We have great momentum and the ability to execute that is something that we value and we were excited about.

David E. Hynes
Canaccord Genuity Corp., Research Division

Yes. Yes. Makes sense. Maybe we could zoom out with like a bigger picture AI question. I'm curious if you started to see any relationship between platform maturity and kind of readiness for AI adoption. For example, like are customers with deeper Procore deployments, adopting AI more quickly? Or is demand kind of consistent across the installed base? I'm just curious kind of where you see the most fertile hunting ground in the early days of AI expansion.

Ajei S. Gopal
President, CEO & Director

Well, I think it's pretty clear to say that everyone I mean you have to be living under a rock to not have heard about AI and the opportunity to impact your organization. And certainly, our customers are very sophisticated and our customers have all tried to understand what the impact of AI could be on their organization.

But as you dig into it, it becomes -- the path forward becomes very clear. Our customers recognize as, frankly, we do in our own IT infrastructure when we think about our own applications, when we're deploying AI, we're relying on people and vendors that we've used in the past, and so when we want, for example, AI in our HR systems, we're going to use our HRIS and leverage that vendor.

In our case, with respect to Procore, our customers are -- our customers are using Procore as a system of collaboration. They're using Procore as a system within which they operate their business. And so when we talk about digital coworkers and the opportunity to go after a fundamental problem such as such as savings, for example, labor, that resonates as long as it works in the system within which they're used to working.

And so that's one of the reasons why we invested in making sure that our AI capabilities are integrated into Procore. And that's the work we did certainly when DataGrid came on board, it was integrating data grid into Procore to create this Procore AI capability that we just made available generally to the market.

So that's what -- that's really what I think customers are looking for is, can I take advantage of AI, but can I do so in a safe and secure way, in a way that's convenient for my business, so I don't have all my employees don't have to become AI experts, but I can get the benefit of that in the context of the work that I'm doing. And that's what we're trying to roll out and make our customers successful.

Operator

Your next question comes from the line of Adam Borg with Stifel.

Adam Charles Borg
Stifel, Nicolaus & Company, Incorporated, Research Division

Awesome. Maybe just internationally, it was great to hear about this large airport deal in Saudi Arabia and then you talked about the largest EMEA deal ever. Maybe talk a little bit more about like a state of the union of what you're seeing in that region, and how you think about the opportunity going forward?

Ajei S. Gopal
President, CEO & Director

Yes. Look, obviously, we have a business which is primarily focused on the domestic market and about 85% of our business is domestic and about 15% approximately by business international. And we've seen an opportunity to continue to expand internationally.

And one of the key things as we think about international -- well, actually, there are two key things. One is product and one is do we have the right -- do we have the right go-to-market motion. Walt, who recently joined our company as the CRO. Some of you know him, Walt has a great deal of experience in being able to build out international go-to-market, especially in a vertically-enabled software business such as ours.

What we're seeing is really a couple of different kinds of international customers or international geographies. So let's take U.K., Ireland, for example. So U.K., Ireland, there are some product differences between the North American market and say, U.K., Ireland and other parts of Europe. Because in Europe, the technology -- the customers are CDE led. So they require a common data environment within which they can work. And that's an important aspect, and there's some very specific requirements in the market.

This year, we launched a CDE specifically for Europe, and we have seen very positive customer feedback as a result of that. And so that gives me a lot of confidence in our strategy of being able to establish beachheads in geographies and expand. There are other geographies where the U.S. product that we offer is very consistent with the needs of the market.

And an example of that is in the Middle East. And that's -- so that's been an area where we have made some incremental investments and focus in the recent past, resulting in success. And certainly, I talked about a very important and valued relationship here with KSIA. So we're excited about international. It's -- we have a path towards expansion. It is still early days. But I think the framework is in place, and we're excited about our opportunities.

Adam Charles Borg
Stifel, Nicolaus & Company, Incorporated, Research Division

That's great. And maybe just as a quick follow-up for Rachel. Great to see the guide for next year an operating margin, a really strong improvement. Maybe just help go a step deeper on what's giving the confidence a 6 quarters out to give that, what is the lever that you're seeing? that obviously you have to have some top line framework as you think about that. So lease qualitatively how you think about organic growth next year, acknowledging that we are 6 quarters out?

Rachel Pyles
CFO & Treasurer

Yes, absolutely. Happy to unpack that for you. So as I began to talk to investors following our last call, it was really clear that there was a lot of interest in our margin profile and how do we get to be comparable with our vertical software peers. So I've spent kind of the last 4 months really digging into the cost structure and looking really hard at where those levels are.

Now that gave me a lot of conviction in our ability to improve the margins so much so that I wanted to be able to share that milestone with you now kind of rather than wait. That 25% non-GAAP operating margin, that represents almost 1,100 basis points of expansion. Well, that's really a notable milestone. It's really just the first of many in our long upward trajectory to get to those best-in-class software margins.

You mentioned a comment about the revenue, and we go through an annual planning process. We are in the process of doing that. We don't have revenue yet to share with you. That will come in the normal time frame early next year. But we were so confident in the cost structure that we wanted to give this metric out now because there's a number of different ways that we can get there. So you should view this as a comment on cost and not a comment on revenue.

Operator

Your next question comes from the line of Daniel Jester with BMO Capital Markets.

Daniel William Jester
BMO Capital Markets Equity Research

Maybe another one on DroneDeploy. So we were looking over them since you made the announcement last night. It looks like they also sell into end markets that aren't necessarily related to construction, it looks like they do site inspections for energy, they do agriculture things.

So is there a way to help us think about how much of the DroneDeploy product is directly applicable to your construction customers today? And how much of their product may be isn't as core to your focus?

Ajei S. Gopal
President, CEO & Director

The way to think about DroneDeploy, DroneDeploy has some very strong capabilities on perception which are certainly being used by sort of more traditional construction companies, but they're also being used by companies that I would classify as being owners in our category. So people who are building out infrastructure but managing infrastructure. So DroneDeploy is able to sell to both owners as well as well people who are actually performing the build on the ground.

The technology is tied to -- so it's very consistent with our with our end market view of owners and builders. Their technology is essentially they're rooted in AI and machine learning around visual intelligence. So it's about being able to capture images, whether they be from the drones or robots or other kind of cameras being able to capture those images process them and evaluate them.

So I'm sure -- I mean, obviously, you can see multiple uses for those images, but the focus clearly for us and for drone deploy has been on that around that construction build-out use case, which is all related to the business that we're in.

Daniel William Jester
BMO Capital Markets Equity Research

Great. That's really helpful context. And then on AI. I think you touched on this in the prepared remarks about the new agents becoming more generally available.

Can you just spend a moment around sales enablement? I know Walt is relatively new to the seat. But what are you doing to make sure your sellers have all of the tools available to go and now hit the ground running, that you're going to have a much broader AI product suite, both now and in the near future?

Ajei S. Gopal
President, CEO & Director

Well, I think the reality of selling AI and making sure that, that's something where the, as you say, the sales organization is enabled, that comes from experience. And what we've been very deliberate about is not trying to push the technology out to the general sales force, but to go through this limited availability period.

And if you look at the time from the time of acquisition of DataGrid into our portfolio, we already had our core organic innovation around AI, and you added -- we added in DataGrid, and rather than just simply push everything out to the market, we took a moment to integrate the technology and create them the right way and make sure the technology was available through a very small, very targeted team of just a couple of people facing customers who were able to bring in sort of lighthouse accounts -- earlier accounts where we could see how the technology would be positioned, how it could be deployed, what would be the low friction way to getting started.

And so that was the idea. And it actually worked out really well because as we started to go through that, it became clear to us that there was an issue of packaging that we needed to address in order to be able to be more rapid to market. And so we created these starter packs, as you saw in our most recent press release from a few days ago.

And the starter packs give teams a low friction way to get started. They are ready to use agents and things like submittals and RFIs and daily logs. And they have very -- they have restricted usage for a certain number of projects and a certain capability. So it's an easy way for a customer to come in and say, I want to use this -- I want to use AI, I'm not sure exactly how it's going to get used, but I want to take advantage of it. I'm going to use it across these few projects, I'm going to use it on this capability. That gives them the ability to come in and then that allows them to experience, use the technology and then to move onward.

So that's the path that we've laid out for ourselves based on this very deliberate limited availability or general availability rollout. And as I said, the product has just gone GA and so the sales. So now it's available to the broader sales force to position with their customers.

Operator

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

Jason Vincent Celino
KeyBanc Capital Markets Inc., Research Division

Ajei, I think you mentioned something kind of interesting when we think about truly addressing the digitization of construction robotics has historically not directly addressed the physical opportunities with labor efficiency. With DroneDeploy, how does that bring you closer to that opportunity? And maybe what role do you think robotics has with the broader construction market.

Ajei S. Gopal
President, CEO & Director

Well, it's obviously early days. But if you think about robotics in general, there's always been a broad dream that robots are going to be in a position to address labor. And -- you see this certainly in industrial settings, which are very constrained. But in a construction environment, it's a much more unconstrained setting, and it becomes a little more challenging to imagine exactly the role of robots in conjunction with human beings and there's concerns about safety and so on and so forth.

So it's a very complicated problem. But there is an enormous amount of advancements that are taking place, and I'm not just talking about humanoid robots. I'm talking about special purpose robots that are working in mixed-use environments where there are human beings and robots working together. And that is work in progress, that's evolved.

What DroneDeploy brings to the table is they understand how to manage robots. And so part of their technology is the management of robots and management of drones and robots in these environments. So people are using robotic cameras, for example, or drones, being able to manage them so that you essentially have autonomous activity on the construction side is an important aspect.

So a great example would be I want to make sure that I get the exactly the same time and exactly the same path. I want to follow and get a perspective of exactly what's happened on that day. So at 5:00 every evening, I'd like over every afternoon, I'd like to understand what happened. Well, that's a predetermined prescheduled activity and DroneDeploy has the technology to be able to do that as a simple example.

So that gives us -- so we see ourselves from construction management as being able to expand broadly into as and when the industry is ready into the management of robots and robotics. So we don't see ourselves as building robots. That's not our business, but we certainly see ourselves in the management space. And again, this is early days, but we're very excited about the technology and the capabilities that DroneDeploy brings to the company.

Jason Vincent Celino
KeyBanc Capital Markets Inc., Research Division

Great. And then maybe just specifically on the second quarter. the revenue beat was bigger than what we've seen over the last couple of quarters, and it sounds like cRPO did quite well. You mentioned the better underlying bookings is like might be the primary driver, but maybe can you just elaborate on the strengths and maybe why specifically Q2 was so strong?

Rachel Pyles
CFO & Treasurer

Sure, I'm happy to take that. So as you mentioned, we saw really strong underlying performance. The growth was really broad-based. So it was across multiple geographies. It was among multiple stakeholders, and it was also across multiple customer sizes. Specifically as it relates to cRPO, the majority of that acceleration was driven by the underlying strength in bookings.

There was a smaller portion that was related to duration. So I mentioned in my comments that we had strength in particular with some large customers. Those deals tend to be larger in duration, and so that did tick up duration a little bit. But that was only a small portion of the acceleration in cRPO. The majority of it came from the momentum that we saw in the overall booking number.

Operator

Your next question comes from the line of Matthew Martino with Goldman Sachs.

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

Ajei, maybe for you. The construction environment has been uneven for several years now. But at the same time, Procore is introducing products that could offer customers a more compelling ROI independent of project volumes.

How are those new capabilities influencing customers' willingness to invest? And what are you seeing in the relationship between technology spending and underlying construction activity?

Ajei S. Gopal
President, CEO & Director

Well, it's an interesting question. You can't -- any good company cannot focus uniquely on one go-to-market motion or one customer base or just one single customer as you start to expand the organization, you have to think you have to start to think more broadly.

And if you look at the origins of Procore, Procore started as a product targeting the larger North American general contractors. And we have expanded over the years. And if you look at our business from owners and subs, owners and subs represented, I would say, maybe 40% of our business thereabouts over the last -- today, and that came from almost -- from a standing start because, obviously, initially, we were focused on the general contractor space. We've also seen success with larger customers and smaller customers. And as part of our go-to-market or as part of our strategy, we are developing technology and solutions that are appropriate for those stakeholders.

So initially, we were -- we had a set of capabilities, which targeted the needs of general contractors and then we added in capabilities that would support the owners and the subs, but now we're adding in capabilities that we think are really important to specific to specific stakeholders. So for example, I talked about the CDE that we deployed in Europe that was very specifically targeting the European customers. And there, that large deal that I talked about in my script, that included the CDE. So it pays off. We have a solution with -- we just recently launched for owners around portfolio management and capital planning.

And that's specifically targeting the owners. And so what we see as our path forward is the ability to create both products that are targeting the stakeholders in a very specific way as well as it scores addressing our go-to-market to be able to make sure that we can address those customers. And the go-to-market sometimes can be direct, it can be channels.

I talked about expanding to channels as an opportunity. And in fact, one of the examples I gave earlier on the international with KSIA, that was done in part with the channel partner, done in part with the partner. So partnering direct the combination of the go-to-market, figuring out what the product looks like, making sure you have the right product for the right customer, all of that is part of the alchemy that needs to come together in order to continue to drive growth and success of the organization.

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

Helpful. And for you, Rachel, gross margins still hovering around the mid-80s over the last several quarters. As digital coworker adoption and compute consumption start to scale, is that still the appropriate near-term baseline? And what gross margin is embedded in the fiscal '27 operating margin target?

Rachel Pyles
CFO & Treasurer

Yes. So as we kind of look at the components of what makes up our gross margin, we expect that, that will be consistent over time. I think that what you're starting to see is that you don't need the most expensive model to do every single task. And so our focus is on optimizing how we deliver those digital coworkers to make sure that we can maintain those margins.

Operator

Your next question comes from the line of Dylan Becker with William Blair.

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

I appreciate it. Maybe, Ajei, in the prepared materials, I thought there was an interesting one, and you kind of just touched on the stakeholder dynamics, but the overall stakeholder mix has been pretty stable and consistent over the last several periods.

So wondering how this gives supports conviction in the overall durability of the growth profile particularly in the more mature segments where the implication is that is still kind of growing relatively in line with the overall aggregate business. So kind of all of those pillars supporting the overall growth motion, if that makes sense?

Ajei S. Gopal
President, CEO & Director

So what -- so I just want to make sure I'm understanding your question. Just could you give me another sentence there, please?

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

Yes. Yes. So the mix of stakeholder contribution to growth how that holding steady helps drive conviction and grow to durability?

Ajei S. Gopal
President, CEO & Director

Look, I think the -- if you look at the mix today at a point in time, it is certainly -- it has been relatively stable for the last several quarters. But if you look at the mix as to where we were sometime back, you can certainly see expansion in both the owners as well as the specialty contractor segments or stakeholders.

And with respect to international, again, that's been an area where we see opportunity where we haven't seen as much expansion capabilities, and I think that there continues to be opportunity there, and it's a question of putting the right go-to-market in place. So some of these expansion opportunities are short term, some of these expansion opportunities are long term. So this is as far as sort of the stakeholders are concerned.

And then in terms of incremental growth opportunities, obviously, we see AI as we are making investments in AI, and we expect our digital coworker strategy to also monetize them to contribute in the future. So as we start to look at the aggregate, we see we see opportunities from our overall growth. We see opportunities with respect to the stakeholders, the go-to-market, AI.

And then, of course, the end markets. I mean, we talked about end markets, we are we are driven in part by ACV. And so as the annual construction volume, if there is a recovery in that in the aggregate, that translates into tailwinds for us. And there are certainly segments like for example -- like, for example, data centers if they continue to grow, we get benefit from that.

So look, we're growing 15 points plus faster than the end market. And so any upside on that translates into further upside on that. So we are we feel very good about our position. So I think there is a perhaps a misunderstanding that our business is really tied to the ENR 400 and GCs only. That's really not the case. We have a very broad set of customers across the different stakeholders across the different sizes.

Dylan Tyler Becker

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

Perfect. Very helpful. And then going back to kind of the agents and packages, I think it's abundantly clear, right, that they're trying to address the labor shortage need and the ROI of your solutions to help with that. But I guess to what extent and maybe the starter packages are a component of this, too. But are you helping with the change management component to where they can actually implement and deploy and ramp those digital coworkers across the entirety of their solution set. I understand that takes time, but how you're thinking of working through kind of the change management component with your customers?

Ajei S. Gopal
President, CEO & Director

I think you just -- you just articulated the answer in your question, which is, obviously, when we look at the rollout of innovative technology, it isn't simply a matter of rolling technology out and saying have added because of the change management issues. And so the start-up packs have been very well defined and thought through so that they are a bite-sized chunk that can be deployed and understood and incorporated into the way that our customers work.

And so in the spirit of trying to create a long-term sustainable business, we're trying to be thoughtful about how we do this. And this is clearly the strategy that we're pursuing, and we feel very good about the onboarding strategy here.

Operator

Your next question comes from the line of Ken Wong with Oppenheimer.

Hoi-Fung Wong
Oppenheimer & Co. Inc., Research Division

Ajei, since the start of the year, you guys acquired DataGrid and now DroneDeploy. Do you feel you guys have sufficiently filled the AI product gap? Or are these still maybe the first few dominoes to fall following some additional M&A to come? And then for Rachel, piggybacking off that question, the fiscal '27 margin target, a fantastic to lay that out there. Just wondering, does that also embed sufficient cushion to account for any potential M&A that you guys might do going forward?

Ajei S. Gopal
President, CEO & Director

Well, so as I said earlier, we -- as we were building out our strategy for AI, it became very clear that this was an area that we were excited about perception, sort of the eyes and the ears metaphor that I used in the script. We really were excited about that space. We felt that it was important to be integrated into our core platform. And so that's why we pursued the DroneDeploy acquisition.

Now I've always viewed acquisitions as a way to accelerate our strategy. So for us, building out, it's not a strategy unto itself. So we're not building out AI by acquisition where we have a well-defined strategy for our AI capabilities. And then we are determining whether to build, whether to partner or whether to buy based upon the needs at the moment.

And right now, we are -- we have -- I have tremendous confidence in our team, our capabilities to execute. I'm excited to welcome DroneDeploy into an already vibrant Procore AI environment. I'm excited of what we can be -- what we're going to be able to do together.

Rachel Pyles
CFO & Treasurer

And then just to answer your question on the margin, as we evaluate acquisition opportunities, we are looking at their strategic fit and then also making sure that they fit within our financial profile. So as we thought about the margin target, we thought about the impact that future M&A would have. And in particular, as I noted in my comments, we see no change to that commitment. -- with the acquisition of DroneDeploy?

Operator

Your last question comes from the line of Joe Vruwink with Baird.

Joseph D. Vruwink
Robert W. Baird & Co. Incorporated, Research Division

I'm wondering, does owning DataGrid make it easier to acquire DroneDeploy in terms of the indexing and retrieval you can now apply and how that ultimately feeds the downstream AI workflows. And maybe have you given any thoughts to how your TAM ends up growing across both traditional and AI workflows by adding the visual elements.

Ajei S. Gopal
President, CEO & Director

To the first point, look, again, as I said in my previous answer, Joe, for us, it's about the strategy. And there is no single element to the strategy. It's about the strategy it builds on each other. And so all the different elements that we have brought in and assembled as part of Procore AI and that we'll continue to build as part of Procore AI will facilitate that. But obviously, you're right to point out that there is synergy and there's technical synergy between the DataGrid capabilities and the DroneDeploy capabilities along the lines, as you suggested, and that's really exciting to us as well. So -- but we are -- we have a clearly identified strategy, and we're going to continue to execute that strategy.

And the second part of the question was what Joe?

Joseph D. Vruwink
Robert W. Baird & Co. Incorporated, Research Division

How the TAM might grow by adding a visual elements into what Procore can offer?

Ajei S. Gopal
President, CEO & Director

So in the short term, I would point to -- rather than specifically talk about time, I would talk about short-term synergy opportunities. In the short-term synergy opportunities, and we have about slightly shy of -- and I think I mentioned in the script, slightly shy of about 600 joint customers who are using both DroneDeploy and Procore. But that means that there are thousands of customers who are not using DroneDeploy today who are Procore customers. And we have a cross-sell opportunity. So from our perspective, that is an immediate available opportunity.

In the long term, as we talk about digital coworkers, the opportunity, the TAM expansion opportunity is not so much about adding incremental software capabilities, it's really going after a different pool, which is essentially the labor shortage that our customers are facing. They just don't have people. So they have a budget for people, but they just don't have people set aside or they're able to hire people just for the task at hand. And so that represents a different pool of money that is accessible to us.

So that from a TAM expansion perspective, the digital coworker strategy exposes to incremental addressable market that goes beyond the traditional TAM's associated with construction management software.

Operator
Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.