Procore Thesis

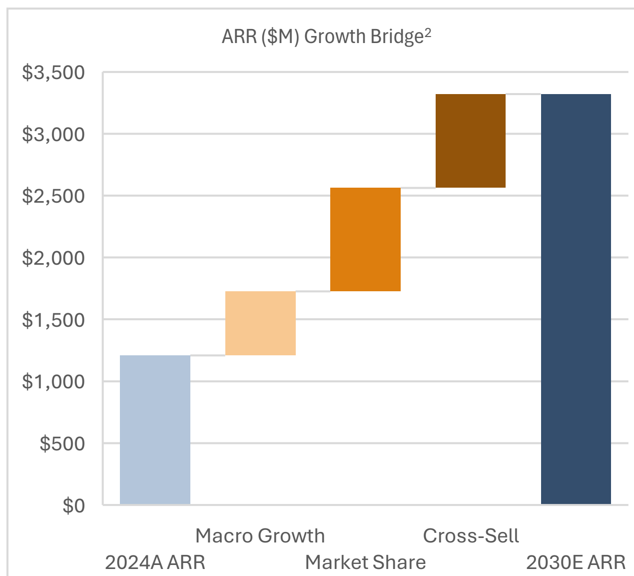
Recommendation: We invested in PCOR at $71 / share with a five-year price target of $163 generating 2.29x MoM / ~18.0% IRR. Procore is a great business because it's central to how teams execute construction projects, incentivizing customer and industry level standardization. This dynamic is underappreciated by the market due to revenue volatility, competitive concerns, and unproven stakeholder / collaborator monetization.

Framing: Procore sells software to the different stakeholders of non-residential construction projects (primarily U.S. / *85% of revenue*). At a high-level Owners fund the project [25% of ARR], General Contractors quarterback the project [60% of ARR], and specialty contractors execute the project [15% of ARR]. This end-market is volatile, with growth contracting from ~20% YoY in 2023 to -3% in August 2025 and Procore ARR growth halving over that period (29% FY'23 -> ~13-15[1]% FY'25), while peers like Autodesk continue to grow at 20%. Procore is uniquely exposed to volatility because ARR is a function of Procore Annual Construction Volume x a Take rate, and historically the first variable has driven >80% of Procore's ARR growth.

Despite these grounded concerns, there are three key facts that crystallize our excitement

- The market has grown at GDP+ levels (*6.5% p.a.)* since 2014 and seems to be in a downcycle
- Procore has 3x more revenue than their largest competitor and is described as the industry standard
- Procore has ~45-50% of customer's share of wallet, implying $1.3tn of runway from current customers

Below are our key contentions with an ARR bridge[2] to illustrate the key top-line drivers



/1/ Procore sells software to a large GDP+ growth cyclical industry that is in a downcycle. We expect short-term volumes to hover around LSD as the manufacturing boom drags growth, and over the long-term construction should continue to grow in-line with GDP, providing ~4.5pts of growth p.a.

2/ Procore's market share should increase from ~30% to 45% due to continued adoption of cloud project management, Procore's leading position, and the market's scale benefits. This drives HSD (~7-8%) ARR Growth

3/ Cross-Sell should provide consistent growth, in-line with historical ~4-5% per annum, due to Procore's project management criticality that extends to project financials, along with GTM / Product changes to drive cross-sell

4/ Procore's GAAP EBIT margins should reach ~25% at exit, due to the high amounts of fixed costs in the business, that should lever as growth is driven by expansion and cross sell. This is validated by construction software peers who end-up achieving ~25% GAAP EBIT Margins for similar reasons

5/ Procore's multiple should expand over time as they continue to take share and drive margin. However, for the sake of conservatism we hold the current NTM Revenue multiple constant at 7.2x NTM revs – slightly below construction peers with an implied 28-32x NTM GAAP EBIT margin

We lean into the risk/reward skew given the 18% IRR assumes no multiple expansion, with limited AI-downside risk given a) high retention and b) a digitally immature customer base that makes early AI adoption unlikely

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[1] Low-end from mgmt. and top end is our modeled growth for FY'25
[2] Growth attribution allocates the interaction of ACV and Cross-sell equally

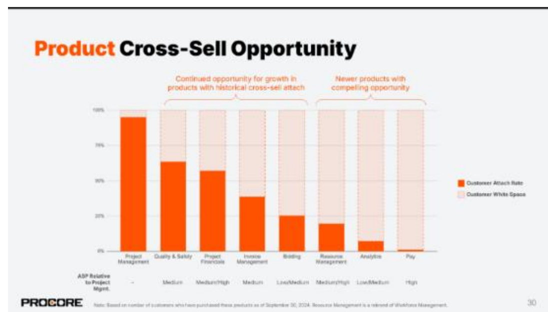
Framework: The very best VMS businesses make it economically irrational to compete with the leader due to the standardization of workflows around the product – reducing the available logos and win rates for insurgents to compete with. Below is how Procore expresses these traits

- The non-residential construction market leverages software to complete projects faster and accurately. Users span several roles, with software primarily used at construction sites with an iPad or phone. Thus, software needs to be a) intuitive and b) extensive
- Procore has good but not great retention (95% retention churn only) – because it's a critical system that customers live in but can be accessed without a license. This is naturally less of an issue for customers who always have a stream of projects but for owners or smaller contractors – fewer active projects raises churn risk
- This market rewards scale, and therefore rewards Procore, because construction management requires training on standardized software in the classroom and on the job. Procore won this position as the first cloud native project management solution and now holds 3x market share vs. their nearest competitor.

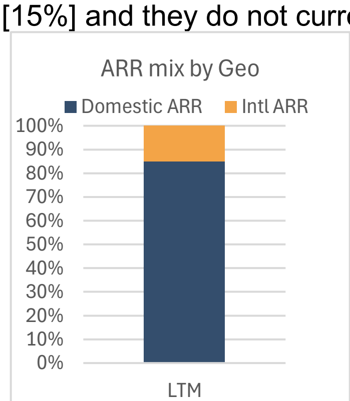
Business 101

Procore takes a percentage of customer's estimated one-to-three-year construction volume – with the percentage determined by the type and number of modules that customers use. Procore sells three bundles:

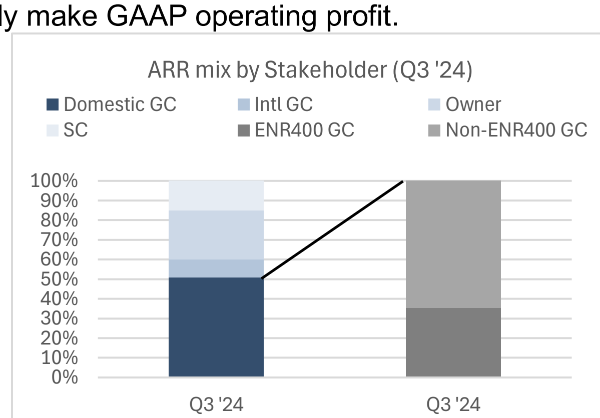
- Construction: Project Management and Quality & Safety – these are their hero products with 95% and 65% adoption respectively. They hold key documents, enable team communication, and help contractors take images in the field to execute inspection workflows.
- Finance: Financials, Invoice Management, Procore Pay, Resource Management – these modules address the complete workflow for labor & materials, simplifying the flow from procurement to payout
- Pre-Construction: Bidding, Analytics, Estimating – newer products that handle subcontractor bids and project forecasts + a single pane of glass to analyze in-progress + completed projects



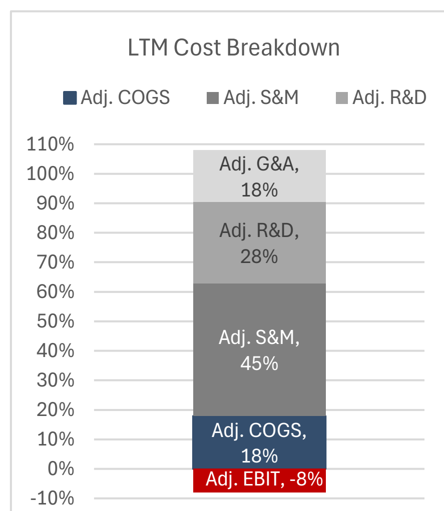
Procore focuses on domestic GCs (51% of ARR) but they serve international GCs [9%] Owners [25%], and SCs [15%] and they do not currently make GAAP operating profit.



	LTM YoY
U.S.	*14.4%*
Intl	*15.3%*
Total	*14.5%*



Domestic GC	*16%*	ENR400	*15%*
Intl GC	*16%*	Non-EN400	*16%*
Owner	*16%*		
SC	*22%*		

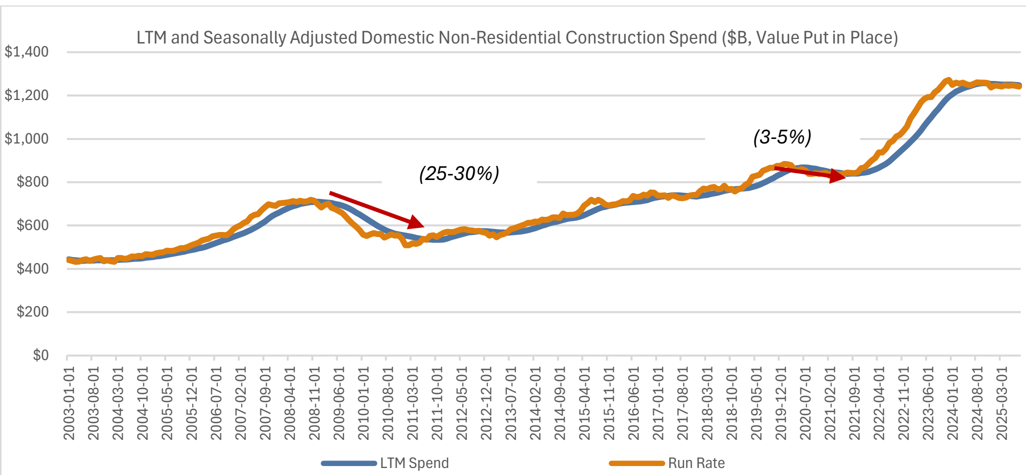


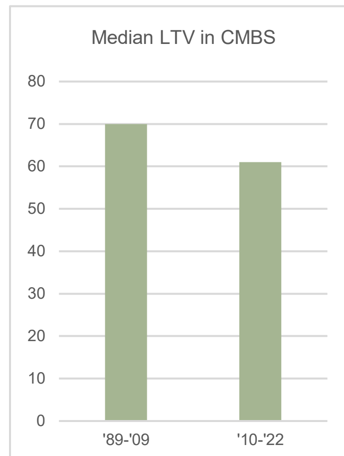
Adj. EBIT excludes the amortization of intangibles, which amounted to an added 4% of revs, resulting in a -12% LTM GAAP EBIT Margin

1/ Non-Residential construction is a GDP+ grower in a downcycle and should contribute ~4-4.5pts of growth over the next five years

Macro growth, and specifically domestic growth, matters because Procore takes a percentage of customer's construction volume and 85% of Procore's volume is domestic. The macro volatility results in wide growth contributions ranging from 50% contribution to a negative impact depending on the cycle stage.

Despite it's cyclicality, non-residential construction has been a secular grower tied with GDP growth, making "timing" less important of a consideration. To illustrate this we look at the peak to trough growth rates in two cycles (2008 & COVID), the former took 7 years to recover to the peak and the latter took a year. Meaning that in a 2008-style collapse where we invested at the peak, macro would drag 3pts on Procore's growth over a five year hold. A 2008 style collapse over the next few years is unlikely given the comparatively lower use of leverage in this market cycle[3], which slowed the recovery as lenders significantly tightened lending standards slowing the recovery[4]. Outside of these peaks the market has compounded healthily at a 6-7%[5] CAGR over the past 10 years stimulated by major spend packages like the CHIPS act and IIJA.

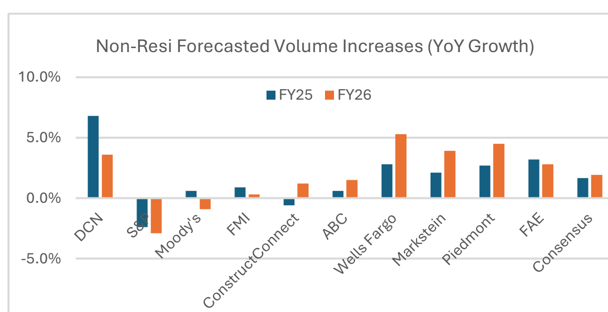




We model market growth in the short term (1-3 years) as a function of major categories and their outlooks. Over the long term we use GDP growth as the primary driver given granular start & backlog data only spans 2-3 years.

<u>Three-year growth outlook</u>: We anchor on ~2-3% p.a. growth ('24-'27), given the major drag of manufacturing normalization (~3pts) and the slowing trends in power. Bright spots seem to be public construction spurred by near-term bills and durable maintenance in education and infrastructure. Over the next few years <u>private</u> non-residential construction growth will be largely flat as power / commercial / and offices offset contraction in manufacturing, and MSD growth in the public category drives overall growth

Our short-term estimates are broadly in line with average industry experts (*as shown on RHS*) with consensus centering around a 1.5-2.5% non-residential spending increase for 2025 and 2026 respectively. As of August 2025, census data showed that on an LTM and SARR basis spending had contracted (1.5%) and (0.7%), meaning that to hit targets there would have to be a re-acceleration in the back half of the year (5-6% YoY growth in monthly not-seasonally-adjusted volumes).



[3] https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2023/wp23-27.pdf
[4] Survey of commercial loan officers indicate a net tightening of ~80% (% more restrictive vs. % less restrictive) vs the peak in 2023 Q2 landing at ~75 and dropping to 9-10
[5] Range stems from methodology and refers to <u>nominal dollars</u>, lower bound is season run rate as of May 2025, and upper bound is LTM figures not seasonally adjusted

Long-Term: Modeling construction as a share of GDP is useful for two reasons: a) there is solid historical data and future estimates on GDP growth and composition, and b) there is high covariance on a few key variables (i.e., interest rates, consumer spending strength, public funding). The relationship between construction and GDP stems from the % of consumer spend and public funds that converts to capital outlays. For instance, as economic production increases, organizations should have more money to invest in warehouses, offices, and data centers. As the economy has shifted to digital experiences capital outlays have started to shift from offices to data centers / warehouses making up for the lower utilization of offices / retail.

U.S. nominal-GDP has grown at 5.18% over the past decade, meaning that non-residential construction has gained 1-1.5pp of share in GDP contribution. The Fed & CBO forecast U.S. GDP growing ~1.8-2% over the next 3 years with an implied nominal ~4-4.5% growth. We call for non-residential construction to hold GDP share due to major bills ending like the CHIPS act, the IRA, and the IIJA all of which helped drive construction volume over the past few years. While we think that data center demand will be enduring, utilities will need upgrades, and public funding will be bright spots – holding share feels appropriate given the tapering off in major categories.

	10 Year CAGR '15-'25	5 Year CAGR '20-'25	CAGR '22-'25	YoY 24-'25
Seasonal	***5.6%***	***7.6%***	***9.2%***	***-0.5%***
NSA	***6.5%***	***7.6%***	***12.2%***	***0.5%***

For the rest of the world, we focus on Canada, AN/Z, and Europe given these drive ~85% of Procore's international ARR. We model construction holding share as a % of nominal GDP, with these economies growing at ~4% p.a. according to World Bank estimates. This is likely conservative given the re-shoring and energy bills we are seeing in major markets like Canada, AN/Z, and Europe.

2/ Procore's market share should increase from ~30% to ~45% due to project-level wins driven by intra-customer network effects in their core and inter-customer network effects with emerging personas. This drives HSD (~7-8%) growth in Procore's annual construction volume

Two key points on Procore's market expansion:

- Stable Growth Driver: Market share gains are the through-the-cycle growth driver, determining the floor of ACV growth when macro slows. Annual construction volume (*ACV*) growth is composed of macro + Share of wallet expansion + new cohorts, and accounts for ~85% of ARR growth.
- Core vs. Non-Core: We underwrite market share growth with two different textures, either primarily more projects within a customer or a balanced logo + project growth. The former maps to domestic GCs who account for 51% of Procore ARR and represent a more mature buying persona in comparison to the emerging owners, SCs, and international GCs.

What are the drivers and why does this happen?

Procore starts with a base of annual construction volume (ACV) from existing customers. Each customer allocates only part of their volume to Procore currently, the aggregate weighted average of which was 45% as of Q3 '24, and the rest goes to competitors / pen & paper. As the construction market grows, the total available volume to allocate grows as well – highlighting the importance of the macro environment. Additionally, Procore adds a new pool each year providing them with a new cohort to expand in. Put simply the growth formula for ACV, the overwhelming growth contributor, looks like:

Procore ACV Growth = market growth + new cohorts + expanding share in existing cohorts

This dynamic exists because of Procore's contracting (recall: pooled contracts where customers estimate 2–3-year volumes), user training, and replacement cycles where Procore-native projects replace old projects.

(2a) Procore's relative scale and why it matters

Procore built their 3x relative market share by being the first cloud-native document database for construction sites. This was an obvious improvement vs. the previous paradigm built on local servers or paper documents – both of which were difficult to manage across multiple rotating sites.

Procore's leading position matters because project management software functions as a utility layer: everyone must use it but there is limited competitive differentiation from using it. Owners want to compare projects across their portfolio, GCs want a project system of record for documents and workflows, and SCs want to use tools they know. Put another way, construction software is crucial for planning but not core to execution and therefore customers end up choosing one or two vendors as the industry standard.

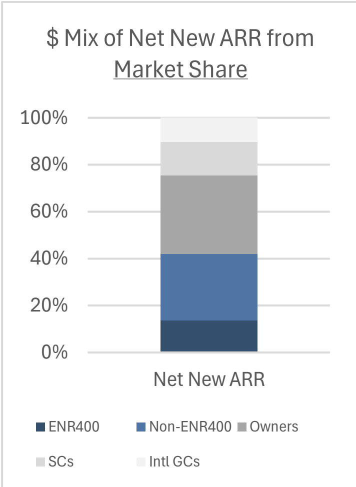
Customers are incentivized to standardize their projects on a single platform because it reduces behavioral friction for specialty contractors who are familiar with a platform, GCs who live in the platform, and owners who receive reports for projects. This logic is strengthened as Procore continues to expand the breadth of their platform

(2b) Procore's market share endurance

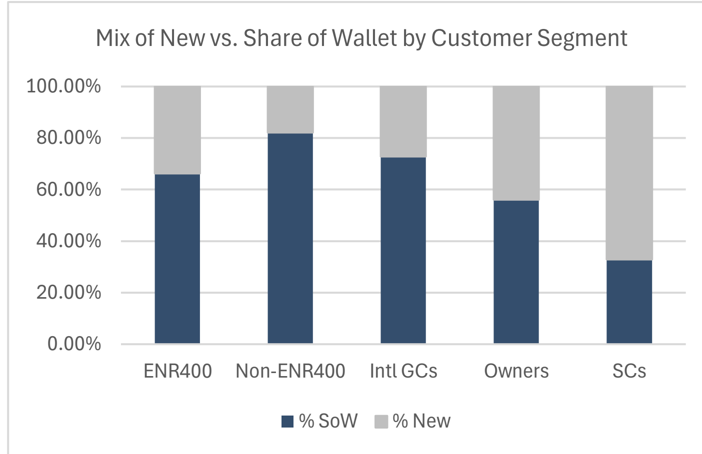
Autodesk's M&A-led construction growth has become a common point of investor consternation. There are two main reasons why we believe Procore should maintain their leading market share:

- **Training <-> Workforce Flywheel**: Procore is the standard in the classroom and workplace, which creates a virtuous cycle that makes it extremely difficult to crack the leading position – Autodesk benefits from the same dynamic in pre-design.
    - Training: Procore is the leading platform taught in the classroom for aspiring construction managers, which represents the bulk of eventual project managers. There are 100 accredited construction management platforms in the U.S., and we emailed all 100 of them. ~25 responded, and of those ~90% use Procore and ~60% primarily use Procore. Moreover, Procore has 23k certificate holders on LinkedIn in comparison to Autodesk's 3k
    - Job Filings: In the U.S., as of mid-December, Procore has nearly 6x more job postings than Autodesk construction cloud – consistent with international trends we have seen.
- **Usability**: This software is primarily used on-site by project managers and specialty contractors optimizing for project efficiency – which makes intuitive software crucial to drive outcomes. Procore is a more usable product because of their simpler user interface and less memory-intensive mobile application. Procore built their main modules from scratch which means there was less tech debt, and resulted in more straightforward workflows like document notifications that take fewer actions. Moreover, while Autodesk does have strong design functionality this may hamper speed on site given it loads in more required modules and is simply a heavier app.

Market Share: We split the two types of market share gain between core personas (domestic GCs) who are more established segments and emerging personas. The former's market share growth is primarily from more projects by existing customers and the latter is a more balanced new logo & share of wallet expansion. Below we showcase how the share gains are evenly split between Core & Non-Core, but the Non-Core has nearly ~50% of share from new logos



	Net New ARR
ENR400	$115.7
Non-ENR400	$240.5
Intl GCs	$87.5
Owners	$285.5
SCs	$120.4



<u>(2c) Core Market Share Growth</u> [50% of ACV / ~5% ’24-’30 CAGR / ~$350M net new ARR]

Procore should compound core GC domestic market share at MSD (~5% / ’24-’30) due to their strongly embedded relationships with customers and powerful standardization logic for customers. This is slightly lower than the estimated HSD-LDD market share growth this segment has experienced historically due to the rise of Autodesk Construction Cloud battling for share of wallet and white space concentrating down-market where Procore has a weaker value proposition.

The simplest way to contextualize our underwrite is that in 2024 ACV contracted a few points, yet ACV still grew ~13%. This implies that new logo ACV + SoW expansion drove 15 points of growth, and we know that logo growth was primarily from owners + SCs and only grew 4% in total – a good proxy for new logo ACV. Thus, SoW expansion likely drove HSD / Low-teens growth and we are modeling a deceleration to HSD.

<u>Share Gain</u>: Share of wallet gains contribute ~4-5pts of mkt. share / ~75% of core share gain / ~$275M nARR

Today, Procore captures ~53% share of wallet across both of their domestic GC segments (ENR400 and Non-ENR400), with mature segments reaching ~65% share of wallet. The former lags the latter because of ramping cohorts that weigh down the share of wallet but over time the two numbers should converge. While the standardization applies, we expect the texture going forward to differ in the following ways:

- ENR400: Mature share of wallet should stay consistent with historical levels at ~65% with competitive pressures netting out federal project tailwinds. This segment is the most likely to leverage multiple project management solutions due to the diversity of their projects (i.e., must use more design heavy tool for highways) and the scale of the organizations that operate in more siloed ways. For reference, nearly ~66% of the ENR400 customers we had information on (~15) used Procore + another solution, 2x the rate in the Non-ENR400. However, one of the prior constraints for full share of wallet for Procore has been the lack of FedRamp certification – which Procore is a year from fully closing. We estimate this should provide a ~10% uplift on available projects, and we assume a 50-60% win rate on these projects (*likely higher with captive customers*). Despite the incomplete FedRamp status we identified 6 federal projects requesting GCs use Procore, that characterized the platform as the industry standard.
- Non-ENR400: Procore should increase their share of wallet here due to the broader consolidation trends and thinner labor pools required to manage multiple solutions. In a 2023 survey 77% of MM GCs outlined consolidation of software as a key concern and strategy to get the most of their software. This is likely heightened during periods of tight capital spending, which may explain why Procore took more share this past year vs. prior years. Thus, we argue share of wallet in mature accounts should increase ~10% from ~65% to ~70%

New Logo: New ACV drives ~1-1.5pts of market share / ~25% of total core share gain / ~$75M nARR

Procore has roughly ~70% and ~35% logo share with their customers skewing toward larger accounts who are comfortable spending on the best of breed / "premium" solution. Most of the whitespace is in the latter, which skews towards smaller customers – where Procore's pricing and robust platform is weaker, thus while we expect Procore to continue taking logo share in the ENR400, mid-market logo growth should be slower. Below we outline the drivers of logo growth for each of these segments:

- ENR400: We underwrite Procore compounding logos at ~3% and new ACV cohorts contribute ~1.5pts to market share. The gap between the two numbers stem from the fact that only two cohorts "mature" by 2030, and most of these new logos are still ramping by 2030. This is slower than the ~8% '20-'24 CAGR given how mature the category is, with incremental adoption stemming from nearly universal adoption (90%). While this may seem ambitious, a) Procore is clearly the market leader in this segment and b) remaining logos who leverage Autodesk or another solution should multi-home Procore for many of the reasons we outlined above (i.e., if you think Procore suffers from multi-homing in this segment, they should benefit at the logo level from this dynamic)
- Non-ENR400: We underwrite Procore compounding logos at ~2.5% and new ACV cohorts contribute ~1pts to market share. Like the ENR400, this is slower than the historical CAGR ('20-'24 / 8%) but for competitive reasons vs. whitespace concerns. Smaller customers drag down the logo growth rate and new logo ACV due to Procore's weaker win rate, exacerbated by Autodesk's aggressive pricing tactics, and the smaller ACV contributions these customers house. We model win rates dropping from ~65-70% to 55% and at-bats compounding at ~5-6% as project management reaches the right side of the S-curve.

(2d) Emerging Persona Market Share Growth [50% of ACV / ~10% '24-'30 CAGR, $500M of nARR]

This bucket captures three different segments: International GCs (~9% of ARR), Owners (~25% of ARR), and Specialty Contractors (15% of ARR). While these groups have been less of a historical focus for the organization, resulting in lower share of wallet capture, GTM changes and product investments should drive higher share of wallet and capitalize on Procore's GC wedge. Thus, the growth outlook in these personas is more balanced between share of wallet expansion and new ACV.

SoW Expansion: Share of wallet gains end up contributing ~4-5pts of market share / ~250M of nARR / ~50% of total core share gain – with Intl. GCs, Owners, and SCs sliding down in their contributions respectively. Note that in contrast to domestic GCs, the gap between current share of wallet and terminal share of wallet is heightened in these segments given the % of the cohorts that are still ramping or maturing (~35-40%+ vs. 30% for GCs). International GCs and Owners end up resembling domestic GCs in their maturity cure, albeit at lower absolute share of wallet, whereas specialty contractors suffer from weaker expansion due to less decision-making autonomy. Below we outline the drivers

- Intl GCs [SoW = 70% Market Share Contribution]: We model current share of wallet of 37% climbing to ~50%, in line with the expansion curve of domestic GCs. This segment has lower current share of wallet and lower terminal share of wallet due to the weaker network effects from incumbents hogging SoW (Aconex in AN/Z), digitally immature customers, and Procore's weaker tailored offering for these geos that limit daily usership. GTM changes that give regional managers more autonomy and product changes that target regional currencies, languages, and local data handling laws set the stage for strong expansion, compounding the general benefits of standardization.
- Owners [SoW = 50% Market Share Contribution]: We model current share of wallet of 40% rising to ~55%, in line with the expansion curve of domestic GCs. This is the most unique segment of the emerging bucket because of the strong reporting standardization that owners should exhibit, which is clouded by the overwhelming amount that is still ramping (~40% of logos). Owners must consolidate

accounting and reporting across all of their sites and teams of GCs. What has historically compressed share of wallet is that owners simply do not live in this platform because a) the features haven't targeted them and b) their job spans more than just construction. We think this has become a more acute problem for Owners for two main reasons: a) more projects in a portfolio and b) the rise of tech / digital teams who can spend more time overseeing construction.

- (a) Oracle reports that from 2000-2018 average project size decreased 27% but number of projects increased 40%, showcasing how portfolios have become increasingly fragmented, increasing the need for a unified hub to manage construction. This has manifested in the rise of roles like data analysts or construction management teams at owners
- (b) Construction manager roles, the primary users of Procore at owner groups grew 12% from '19-'23, outgrowing other management roles by 400bps with recent reports of a 50% YoY increase over the past year.

- Specialty Contractors [SoW = 25% Market Share Contribution]: We model current share of wallet of 35% rising to 40%, a much weaker expansion curve vs. the other segments due to the more field-oriented nature of their work that makes software harder to embed vs. the more planning / analysis-oriented GCs + Owners. SCs execute trade specific tasks and will often work with the GC to drive the software purchasing decision but given the wide set of sub-contractors that work with 1-2 GCs per project, their influence is limited and end up being order takers

New Logo: This is where the emerging personas differ most acutely from the core segments given the longer runway of whitespace and improved product tailoring that helps increase win rates – new ACV cohorts contribute 4-5pts of market share / ~$250M of nARR / 50% of total core share gains.

- Intl GCs: International logos should grow slightly above domestic GCs due to product localization, GTM changes, and increased international Procore branding – resulting in a ~4% '24-'30 CAGR / ~2% share contribution. While we model the international market in aggregate the reality is that this segment spans a medley of geos with ANZ, Canada, and EU (ex. UK) making up ~85% of international volumes. AN/Z + Canada each their own dynamic, with the former being more a replacement market with Aconex as the dominant platform and Canada being more fragmented.
- Owners: Grow nearly 2x as fast as GCs, growing logos at 8% from '24-'30[6] due to the long runway of collaborators that Procore has built via GCs and product tailoring. Construction surveys estimate that ~70-80% of owners use or engage with core project management tools like Procore, however roughly only half of owners actually pay for the license. Over the next few years project management ranks as the second most popular technology owners are planning to adopt. Procore has built a robust base of warm leads via their GCs –we estimate there are 3-5k non-paying users (*~45% attach*) and ~20-30k owners who hire GCs with Procore but do not use it. We model Procore winning ~50% of the remaining collaborators / ~5% of the remaining owners due to recent product changes like the portfolio hub that displays projects in a single pane of glass and a revamped UI specifically for owners – which 30-50% of owners outlined at the biggest barrier to greater adoption
- Specialty Contractors: Grow in line with owners and 2x faster than GCs at ~8% p.a. from '24-'30 / driving ~5pts of market share gain consistent with historical trends in which SCs grew at nearly 2.75x the GC CAGR from '21-'24. Management has consistently called out SCs as a source of new logo strength, and there is a long runway given that only ~30% of top 600 SCs (*ENR600*) use Procore (vs. 71% with GCs). This is the result of a more immature customer base that is less mature in project management but given the Owner + GC dynamics we expect SCs to be onboarded over time – spurred by SC tailored products that target resource management and pay-stubs.

[6] We estimate that they compounded logos at ~15% from '21-'24

Upside Nodes:

Owner Mandates: An underappreciated P&L effect of owner monetization is the impact of mandates on contractor SoW. In fact, Tooey called this out at their 2024 investor day, which was later validated by the SVP of finance this past September

"*the more owners that we land, the more owners that will mandate Procore be used by their GCs and that gives them a chance to use Procore and Experience Procore, which is obviously a huge win for us. And that's just helping us expand even more. So to sweep up the rest of those late adopters*" – 2024 September

"you're seeing more and more what's known as **owner mandates**. And so an owner within their equivalent of an RFP will say" – 2025 September

To size this we use surveys to figure out what % of GCs / owners use different PMIS systems and what % of owners mandate today. Trimble estimates that only ~16% of Owners and GCs used the same PMIS[7] in 2019. Moreover, a 2022 follow up found that around 45% of commercial owners mandated a shared PMIS in more than 50% of their projects – lagging government owners where ~65% of owners mandate PMIS in over 50% of their projects. Thus, as Procore mixes into government owners and corporate owners drive more mandates to increase project visibility / standardization, this should drive 750-1000bps Procore SoW with GCs and another 3-5pts of growth. We do not include this in our base model and leave the share of wallet expansion as upside.

	Today		2030	
# of Total Owners	34833		20533	
% Paid Share	9%		26%	
# of Paid Owners	3135		5373	
% Growth	*7%*		*8%*	
% Commercial	80%		70%	
% Government	20%		30%	
# of Paid Commercial Owners	2508	Logo Share	3761	Logo Share
% mandate <25%	11%	276	5%	188
% mandate 25-49%	35%	878	30%	1128
% mandate 50-74%	31%	777	35%	1316
% mandate >75%	23%	577	30%	1128
# of Paid Government Owners	627	Logo Share	1612	Logo Share
% mandate <25%	8%	50	5%	81
% mandate 25-49%	27%	169	15%	242
% mandate 50-74%	50%	313	55%	887
% mandate >75%	15%	94	25%	403
Imputed Mandate SoW	4.9%		16.1%	
Uplift from Mandates			11.2%	
GC ACV Share	**53.0%**		**64.2%**	

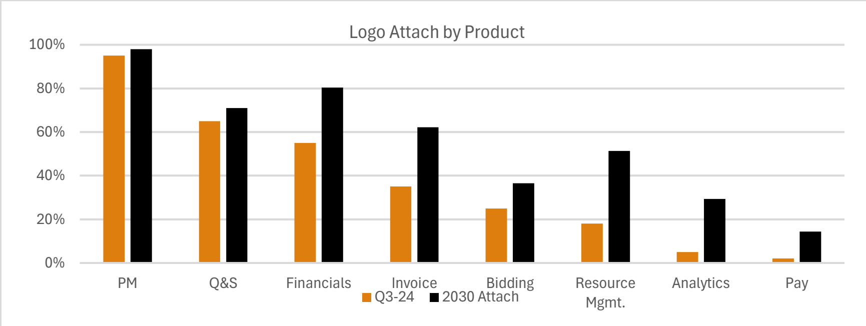
3/ Cross-Sell should provide consistent growth, in-line with historicals ~4-5% per annum, due to Procore's project management criticality that extends to other relevant domains, such as financials and analytics. Increased product tailoring to specific personas, new product launches (i.e., Resources + Pay), and GTM changes that involve more technical sellers give us confidence in continued 4-5% p.a. growth

In addition to ACV expansion, the other lever of ARR growth is the take rate – which is driven by product adoption + price. Using management disclosures, we know that nearly all take-rate growth is from product adoption growing at 4% p.a. ('22-'24). Pricing has not and likely will not be a large contributor given continued slow macro growth, Autodesk's discounting, and Procore's unique contracting. Thus, modeling attach at 5% per annum represents a slight increase, which we are confident in due to the strength of the core platform, wide range of personas, and GTM changes.

Starting first with the GTM changes which apply to all customers and therefore should be a rise in tide for all boats. Procore restructured their GTM in late 2024 to include inside sales / tech sales representatives who have experience with products in the field, and who customers commonly cite as more trustworthy given their familiarity with the product. While we do not attribute an exact uplift – it marks an improvement vs. historicals and will be especially important as Procore extends past its core

On the product front there are two flavors of drivers, which we capture via the logo adoption by product and the net new dollars from cross-sell.

[7] This number only applies to Owners using a PMIS, which was much lower in 2019, the comp in our analysis is ~29% at the bottom of the image which measures # of GCs / # of *total* owners in the ecosystem



	Net New Cross-Sell $
PM	$175.0
Q&S	$90.0
Financials	$175.0
Invoice	$95.0
Bidding	$30.0
Resource Mgmt.	$115.0
Analytics	$30.0
Pay	$55.0

(MSD-HSD Contributors}: Financials Bundle should scale from ~55% attach to ~80% (+$275-300M of nARR from cross-sell) attach in MM domestic GCs, international GCs, and owners due to improved product to persona fit. For MM domestic GCs. MM+ GCs are increasingly replacing their ERP + excel project

tech stacks due to labor quality[8] and labor cost[9] concerns – resulting in 25-35% of smaller GCs planning to adopt a finance module over the next few years. In a different way, financials adoption will increase for international GCs and owners as the product is tailored for their needs. Financials for international GCs suffer from a lack of localization with incomplete currencies and product integrations, while owners care more about their portfolio's capital planning vs. just an individual project. Over the past few years Procore has started to tailor their modules for each segment launching local currencies, ERP integrations, and data standards for international customers and creating a capital planning module for owners.

(Emerging Contributors) 10%+: Resource Management, Analytics, and Procore Pay:

- Resource Management: Scales from ~20% attach to ~45% attach, adding ~$100-125M nARR from cross-sell, due to rising cost concerns and the strong linkage between project budgeting and other cost modules. The main ICP for this module is GCs who perform their own tasks and specialty contractors, given they interact with materials more frequently. We estimate that roughly >50% of customers perform >10% of tasks. Moreover, the wide adoption of project financials provide a glide path given how the modules ingest receipts and build forecasts, that naturally prompts users to explore real-time materials resulting in organic adoption of resource management
- Analytics: Scales from ~10% to ~30%, adding ~$30M of nARR from cross-sell, due to Procore's strength upmarket and AI-product improvements that map with organizational priorities. While product feedback is early it has been resoundingly positive, with anecdotes highlighting the paradigm shift from static BI tools to real-time Procore dashboards that draws Owners / Customers further into the project. Moreover, the renewed analytics solution (analytics 2.0) and Procore helix, have generated increased excitement right as customers are starting to look for intuitive indexing and reporting tools.
- Procore Pay: Scales from ~2% attach to ~15-20% attach, adding ~$50-60 of nARR from cross-sell, due to Procore's share upmarket, strong network effects, linkage between invoice management and payments
    - Users vs. Payers: Large GCs, with complicated payment terms and admin, are the primary users of the product, but bear minimal cost because the fee is paid for by sub-contractors
    - GC Network effects: GCs are incentivized to load on as many subs to the platform per project because this helps reduce the risk of payment errors and reduces the time spent on project compliance for invoices.
    - Invoice Management: Procore should see high attach with invoice customers given that payment automation simply adds a step to the core invoice processing / OCR

[8] (#2 most cited concern)
[9] (#4 most cited concern)

Textura is the main competitor from Oracle and they generate ~$300-500M in revenue with ~20-30% adoption in the ENR400, despite much weaker share in project management. While switching is unlikely, given the familiarity that finance and management teams build, there is still a lot of white space to drive adoption with a newer product vs. Textura

4/ Procore has the bones of a 25%+ Adj. EBIT margin business due to their market dominance, cross-sell motion, and tactical margin levers

Vertical market software businesses earn high margin because of their relatively simple product (vs. database) that reduces hosting costs, their high retention, and their sales efficiency. Procore shares a lot of the same qualities, while not being the highest retention or most efficient business, which means it should reach ~25% GAAP EBIT margins given their high gross margins, solid retention and continued market dominance driving improved sales efficiency.

Management has publicly displayed margin targets twice – once in 2020 during the IPO road show, with long term non-GAAP EBIT targets at ~20% (*non-GAAP EBIT is expected to be 15% this year*) and at the 2024 investor day with 25% / 40%+ non-GAAP FCF targets displayed as mid-term and long-term goals. We recognize SBC as an expense and do not add it back to FCF, thus mgmt's. target translates to 30%+ FCF.

We think these are extremely achievable for two reasons:

<u>Comps</u>

Procore's construction focused peers with varying growth rates, achieve ~26% Adj. EBIT Margins / ~25% GAAP EBIT margins – which we think is a result of high retention and the cross-sell opportunities. Even with slower growth, and likely worse businesses given their technological disruption like Trimble & Hexagon, GAAP EBIT Margins range from ~15-30%. Moreover, SBC as a % of revenue should lever over time with the peer avg. as a % of opex hovering closer to ~10-20%, with Procore spending closer to ~23-25% of opex. We think Autodesk is a particularly interesting comp given some of the activist pressure that has demanded more margin, and therefore likely under-estimates the true construction peer average

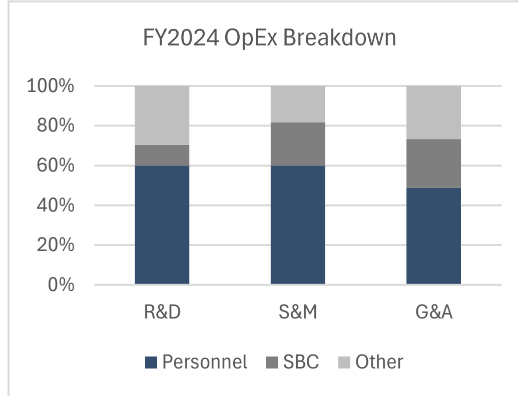
Mature VMS Comps

	ADSK	BSY	TRMB	NEM.DE	HEXA	Construction Peer Avg.
	LTM	*LTM*	*LTM*	*LTM*	*FY24*	
Revenue	$6,888	$1,460	$3,600	$1,117	$5,401	
% Growth	*16%*	*11%*	*-1%*	*21%*	*-1%*	*9%*
Adj, Gross Margin	6,346	1,198	2,529		3,610	
% Gross Margin	*92%*	*82%*	*70%*		*67%*	*78%*
Operating Costs ex. Amort	5,227	1,069	2,929	787	3,857	
Adj. EBIT	$1,661	$391	$672	$329.3	$1,544.6	
% Margin	*24%*	*27%*	*19%*	*29%*	*29%*	*26%*
(-) Amort of Intangibles	148	46	106	45	112	
GAAP EBIT	$1,513	$345	$566	$284	$1,432	
% GAAP EBIT Margin	*22%*	*24%*	*16%*	*25%*	*27%*	*23%*
SBC	793	72	163		47	
% Revenue	*12%*	*5%*	*5%*		*1%*	*5%*
% Adj. Op-Ex	*18%*	*7%*	*6%*		*1%*	*8%*
Deferred Acquisition Costs	440	-	-			
% S&M	*19%*					

<u>Operating Leverage</u>

Procore has the bones of a high operating margin business due to their high gross margins – which range from ~83-85% on a Adj and GAAP basis. This is a result of higher hosting efficiency vs. other software businesses that have more sensitive data requirements and therefore compress multi-tenant deployments – a key driver of server efficiency. Moreover, Gross margins overall tend to be higher in this industry owing to the wide breadth of expansion / modules that vendors can address – as evidenced through the ~78-80% peer gross margin avg that is dragged down by hardware sellers (*TRMB* + *Hexa*).

The second element of operating margin is the operating leverage and margin mix of the business. The two main cost buckets we focus on are R&D and S&M given they account for close to ~75% of revenue / 80% of OpEx. Leveraging cost change disclosures and line-item quantities, we estimate that ~60% of costs in R&D and S&M are from personnel (*~55% for overall opex)*, with the latter seeing a huge increase in '22-'23 to prepare for international GTM changes and 2024 largely holding personnel costs flat, which has led management to guide towards flat S&M growth in FY25. While personnel is semi-fixed, we hypothesize that given the strong adoption in domestic markets and heavy investments internationally, incremental growth should not require significantly more personnel – especially given recent hiring trends and commentary around building out cross-sell motions. For reference on the magnitude of the pull forward, based on management's Pre-SBC EBIT guidance, incremental margins for FY25 should be around ~70%+.



While we bring these incremental margins down over time, especially as new products ramp, the texture of expansion growth and cross-sell should enable personnel to scale as a semi-fixed cost, especially given GTM commentary on territory coverage. Assuming that half of personnel cost is fixed over the hold ~18% Rev Growth should drive ~4-5% of operating margin gains p.a., which lands us at ~25% Adj. EBIT Margins from the guided ~2% Adj. EBIT margins, in line with comps.

5/ Construction leaders tend to trade at 9x+ ARR once the market recognizes their leadership

Procore currently trades at 7.7x LTM ARR, ~7.4x on my cost basis, which is slightly lower than VMS / Construction comps[10] who trade at 8-10x LTM ARR. We think that the multiple has been compressed due to the growth volatility stemming from macro-exposure in the revenue model and competitive concerns. However, as the macro returns to GDP growth and Procore drives margin, the multiple should re-rate to 8-10x LTM ARR.

Below we show the multiples of construction-exposed / focused competitors and a clear pattern emerges. Nearly all of these established companies end up reaching ~8-10x LTM ARR and 6-8x NTM Revs for low growth companies, which is a bit skewed by companies mixing into subscription (like Trimble and Hexagon). We think the best comp is somewhere between a Bentley and an Autodesk (*note that NTM revenue growth is elevated due to licensing changes*) and therefore we hold the ~7.5x NTM Revenue / ~7.9x LTM ARR multiple constant. Moreover, because we underwrite the business reaching ~25% GAAP EBIT, the 7.3x NTM Revenue multiple held flat implies a ~30x NTM EBIT multiple in-line with comps

				Multiples			LTM Financials (unless noted)					
Company Name	**Current Price**	**Market Cap (Billions)**	**TEV (Billions)**	**LTM ARR**	**NTM Revs**	**Forward GAAP EBIT**	**LTM ARR**	**ARR Growth**	**NTM Rev**	**NTM Rev Growth**	**LTM-1 Rev Growth**	**LTM EBIT Margin**
AUTODESK, INC.	$ 300.08	$63,616.96	$64,109.96	9.24	8.24	35.81	$6,936	12%	$7,783.44	13%	*16%*	*22%*
BENTLEY SYSTEMS, INCORPORATED	$ 39.75	$12,066.39	$13,148.36	8.59	8.19	34.60	$1,405	11%	$1,606.02	10%	*11%*	*24%*
TRIMBLE INC.	$ 80.88	$19,243.05	$21,401.55	8.33	5.77	33.95	$2,310	5%	$3,708.41	3%	*-1%*	*16%*
Nemetschek SE	€ 93.60	€ 10,810.80	€ 11,030.76	10.04	8.18	32.15	$1,077	22%	€ 1,349.31	21%	*21%*	*25%*
Hexagon AB	€ 11.49	€ 29,819.17	€ 31,977.67	13.21	5.92	21.14	$2,257	0%	€ 5,401.10	0%	*-1%*	*27%*

Returns & Valuation

Our base scenario assumes that by FY30:

- LTM ARR CAGRs at 18% from '24-'30, Total Revenue CAGRs at 18% reaching $2.9B of LTM revenue / $3.4B of NTM Revenue growing (~17%)
  - ~65% of the CAGR is driven by Procore ACV gains, within this bucket ~65% of gains stem from Procore taking share and ~35% of gains are from a macro-rebound.
  - ~35% of the CAGR is driven by cross-sell, primarily product adoption, resulting in a more balanced growth algorithm vs. historical growth

[10] We are limited by the lack of access to CapIQ for consensus estimates. We used FY Revenue estimates for NTM, however by far the noisiest are Autodesk who report a growth rate adjusted for changed pricing terms, we use the normalized 11-12% growth rate and assume a slight beat. For EBIT, we held NTM Margins constant with LTM margins, unless management explicitly voiced guidance.

- GAAP EBIT expands from (12% LTM) / (2% FY25 Guide) to ~25% NTM GAAP EBIT at exit, driven by 4-5% p.a. operating leverage gains due to the ~60% of the cost base that is semi-fixed (i.e., labor) and the pull-forward of investments that Procore executed in GTM. LTM EBIT reaches ~$650M and NTM EBIT reaches ~$930M
- Procore executes ~$270M worth of buybacks over our hold (in-line with guidance), compounding FDSO at ~1%
- Using 7.20x NTM Revenue multiple (multiple held flat), Procore's TEV is ~$25.0B with $2.7B of excess cash created over the hold, cash balance increase / FCF yield mitigates share issuance, resulting in a $27.8B EV. With 169 shares outstanding, the imputed share price is $162.4, resulting in a 2.19x MoM / 17.0% IRR at the most recent share price of $74.1 and a 2.29x MoM / 18.0% IRR at my cost basis of $71 a share

<u>Risks / Team</u>

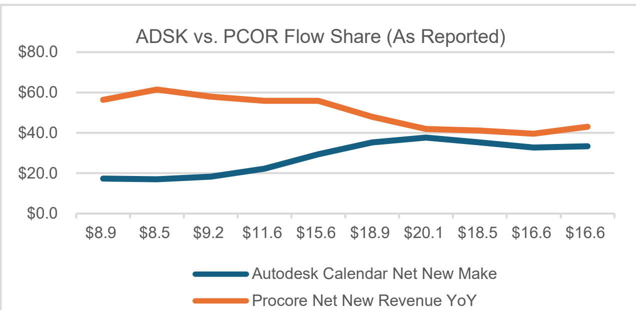
- <u>Macro-volatility</u>: The business is highly levered to macroeconomic changes, as we point out in their pricing model, and while forecasts can be built based on backlogs and GDP growth – there is policy risk depending on how supportive this administration / future administrations are of public funding and infrastructure incentives. We take comfort in the recent contraction and lower leverage ratios in commercial real estate that make a 2008 crisis unlikely. However, even with a 2008 crisis over a 5-year hold the drag would be ~3% and may actually be a contributor to Procore's share gain given the push for rationalization during economic downturns.
- <u>Management Team</u>: The Founder & CEO, Tooey, was recently replaced by Ajei Gopal – the former CEO of Ansys. The CEO change is our biggest risk given our limited access to the team, the recency of the change, and the shift from founder to outside CEO. We plan on doing channel checks in the coming weeks with folks who have worked with Ajei at Symantec and Silver Lake – however outside-in signals are positive. From the calls we have been able to do, Ajei profiles as an extremely adaptable CEO who can take on non-core verticals and immerse himself in the industry. Namely, he is well known for his time at Ansys, where he helped extend the business into more parts of the simulation workflow and re-accelerate growth which had bottomed out at 4% the year before he joined. Ansys was similarly sized when he became CEO (~$1B of GAAP Revenue) and he helped compound the business at a mid-teens' revenue CAGR ('16-'24) while holding the business at a rule of 40. While some formers point out the rise of SBC as a % of op-ex, we think a) Ansys was likely underinvested for the category (SNPS spends nearly double as a % of opex) and b) it is almost half the levels that Procore currently spends.

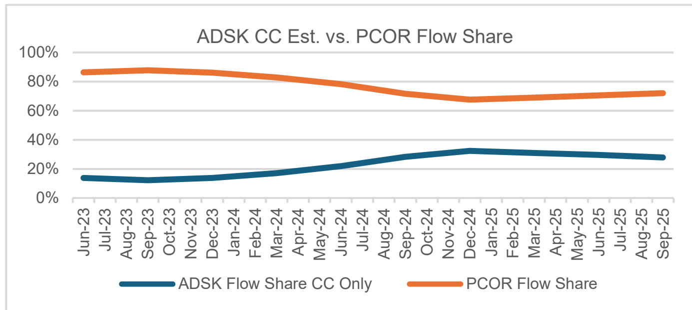
<u>Autodesk</u>: While some investors / market participants have become concerned with increasing competition from Autodesk we believe that these concerns are overblown due to a) reporting noise, b) distinct ICP profiles and c) discounting / lower ARR module wins.

- **Reporting Noise**: Autodesk's "Make" segment, which includes their construction modules, is $754M of LTM Revs (Q3 FY'26) / growing 22%. A simple flow share calculation would depict a more competitive situation (55% Procore vs. 45% ADSK) than the reality, because their make segment includes non-construction revenue, namely Fusion 360 which we estimate is 35-40% of Make revenue, given management's recent disclosure that Fusion and ACC are both growing 2x as fast as the overall business 12 -> 25%.
- **Distinct ICP**: From Oct 2024-Jan 2025 Autodesk reportedly added ~400 net new logos vs. 113 from Procore. However, we think these are existing Autodesk accounts given management's commentary on cross-selling construction modules to <u>existing Autodesk design customers</u>. This matters because Procore data shows that only ~12% of at-bats (~25% of brownfield) are from existing Autodesk accounts, we think Autodesk is winning more design-heavy firms that have historically accounted for <10% of Procore logos

- **Discounting**: Autodesk has consistently discounted their product ~20% according to market commentary. The clearest data point is the wide ARR / Logo dispersion vs. Procore, we estimate Autodesk Construction Cloud is ~$500M in ARR with ~16k logos as of Jan 31 2025 implying a ~30-40k ARR / logo *nearly half the ARR per logo of Procore on Dec 31 2024*. While the discounting seems unsustainable given the presence of activist investors demanding margin, it's clear that discounting is only part of the story given the >50% difference in ACV. We think the other explanation is that Autodesk is not fully winning these accounts but merely selling a few modules (like the bidding platform or BIM solution) – which means they are not fully closing off these accounts.

Taken all together we do believe Autodesk has improved their offerings / integrations. However, we think that there is a lot of noise around their financial performance and the true competitiveness given their focus on another segment of logos. Ultimately, we think the impact means that Autodesk may compress share of wallet but the impact to logo win rates should be bounded.





Appendix

Valuation	Date					Current Price						Cost Basis
Share Price	12/23/2025	$48.6	$54.0	$60.0	$66.7	$74.1	$81.5	$89.7	$98.7	$108.5	$119.4	$71.0
% Premium to Current Trading												
% Premium to 52 Week High												
% Premium to 52 Week Low												
(x) FDSO	9/30/2025	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5
Equity Value		**$7,318**	**$8,131**	**$9,034**	**$10,038**	**$11,153**	**$12,269**	**$13,496**	**$14,845**	**$16,330**	**$17,963**	**$10,687**
(+) Net Debt	9/30/2025	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(657)
TEV		**$6,661**	**$7,474**	**$8,378**	**$9,382**	**$10,497**	**$11,612**	**$12,839**	**$14,189**	**$15,673**	**$17,306**	**$10,030**
Valuation Multiples	**Metric**											
TEV / LTM ARR	$1,355	4.9x	5.5x	6.2x	6.9x	7.7x	8.6x	9.5x	10.5x	11.6x	12.8x	7.4x
TEV /												
LTM Rev	$1,275	5.2x	5.9x	6.6x	7.4x	8.2x	9.1x	10.1x	11.1x	12.3x	13.6x	7.9x
NTM Rev	$1,457	4.6x	5.1x	5.7x	6.4x	7.2x	8.0x	8.8x	9.7x	10.8x	11.9x	6.9x
TEV /												
LTM Adj. Gross Profit	$1,047.2	6.4x	7.1x	8.0x	9.0x	10.0x	11.1x	12.3x	13.5x	15.0x	16.5x	9.6x
NTM Adj. Gross Profit	$1,294.3	5.1x	5.8x	6.5x	7.2x	8.1x	9.0x	9.9x	11.0x	12.1x	13.4x	7.7x
Returns Summary Revenue Multiples												
3-Yr Returns												
5.2x NTM Revenue		21.0%	16.9%	12.8%	8.9%	5.2%	1.9%	(1.3%)	(4.4%)	(7.4%)	(10.3%)	6.7%
7.2x NTM Revenue		34.0%	29.3%	24.9%	20.6%	16.4%	12.8%	9.2%	5.8%	2.5%	(0.7%)	18.1%
9.2x NTM Revenue		44.8%	39.8%	35.0%	30.3%	25.8%	21.9%	18.1%	14.4%	10.8%	7.3%	27.6%
5-Yr Returns												
5.2x NTM Revenue		20.0%	17.5%	15.1%	12.7%	10.3%	8.3%	6.2%	4.2%	2.2%	0.3%	10.3%
7.2x NTM Revenue		27.3%	24.6%	22.0%	19.5%	17.0%	14.8%	12.6%	10.5%	8.4%	6.4%	18.0%
9.2x NTM Revenue		33.2%	30.4%	27.7%	25.0%	22.4%	20.1%	17.8%	15.6%	13.4%	11.3%	23.5%
Returns Summary GAAP EBIT Multiples												
3-Yr Returns	GAAP EBIT											
42.9x GAAP EBIT	12%	21.0%	16.9%	12.8%	8.9%	5.2%	1.9%	-1.3%	-4.4%	-7.4%	-10.3%	6.7%
59.3x GAAP EBIT	12%	34.0%	29.3%	24.9%	20.6%	16.4%	12.8%	9.2%	5.8%	2.5%	-0.7%	18.1%
75.8x GAAP EBIT	12%	44.8%	39.8%	35.0%	30.3%	25.8%	21.9%	18.1%	14.4%	10.8%	7.3%	27.6%
5-Yr Returns	GAAP EBIT											
19.5x NTM GAAP EBIT	27%	20.0%	17.5%	15.1%	12.7%	10.3%	8.3%	6.2%	4.2%	2.2%	0.3%	10.3%
27.1xNTM GAAP EBIT	27%	27.3%	24.6%	22.0%	19.5%	17.0%	14.8%	12.6%	10.5%	8.4%	6.4%	18.0%
34.6x NTM GAAP EBIT	27%	33.2%	30.4%	27.7%	25.0%	22.4%	20.1%	17.8%	15.6%	13.4%	11.3%	23.5%

DML Dec 2025

(FY $M, Unless Otherwise Noted)	Historicals				Base							CAGR	
	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	'21-'24	'24-'30
U.S Build													
U.S. Construction Volume ($Tn)	$867	$1,057	$1,272	$1,237	$1,255	$1,274	$1,363	$1,445	$1,518	$1,593	$1,673	*13%*	*4%*
ENR400 Customers	235	253	270	288	292	303	315	326	337	349	360	*7%*	*3%*
(x) ACV per Customer				850	890	926	1,014	1,097	1,174	1,254	1,338		*7%*
ENR400 ACV ($B)				$245	$260	$281	$319	$358	$396	$437	$482		*10%*
(x) ENR400 Take Rate				*0.09%*	*0.09%*	*0.10%*	*0.11%*	*0.12%*	*0.12%*	*0.13%*	*0.14%*		*6.5%*
(a) ENR400 ARR				**$218**	**$246**	**$285**	**$345**	**$412**	**$485**	**$568**	**$663**		***17%***
Memo: ENR400 Market Share				44%	46%	49%	52%	55%	58%	61%	64%		*6%*
Non-ENR400 Customers	6,315	7,260	7,914	7,945	8,064	8,292	8,522	8,753	8,987	9,223	9,461	*8%*	*3%*
(x) ACV per Customer				34	37	39	43	47	50	54	58		*8%*
Non-ENR 400 ACV ($B)				270	297	321	365	409	454	501	552		*11%*
(x) Non-ENR400 Take Rate				*0.15%*	*0.16%*	*0.17%*	*0.18%*	*0.19%*	*0.20%*	*0.21%*	*0.23%*		*6%*
(b) Non-ENR400 ARR				**$400**	**$467**	**$540**	**$655**	**$781**	**$918**	**$1,073**	**$1,249**		***18%***
Memo: Non-ENR 400 Domestic GCs				40%	43%	46%	49%	52%	54%	57%	60%		*6%*
Owners Customers	1,761	2,173	2,508	2,674	2,871	3,099	3,322	3,574	3,855	4,113	4,439	*15%*	*7%*
(x) ACV per Customer	63	68	73	77	79	83	91	97	102	109	113	*7%*	*6%*
Owner ACV ($B)	110	148	182	206	227	256	301	347	395	446	502	*23%*	*14%*
(x) Owner Take Rate	*0.10%*	*0.11%*	*0.12%*	*0.13%*	*0.13%*	*0.14%*	*0.15%*	*0.16%*	*0.17%*	*0.18%*	*0.19%*	*9%*	*6%*
(c) Owner ARR	**$106**	**$158**	**$223**	**$258**	**$296**	**$358**	**$449**	**$553**	**$666**	**$796**	**$943**	***35%***	***21%***
Memo: Owners Market Share	13%	14%	14%	17%	18%	20%	22%	24%	26%	28%	30%	*9%*	*9%*
SC Customers	1,895	2,499	3,060	3,441	3,712	4,017	4,306	4,621	4,961	5,257	5,621	*22%*	*7%*
(x) ACV per Customer	28	28	29	29	29	30	32	34	35	37	38	*1%*	*4%*
SC ACV ($B)	53	71	87	99	109	120	137	155	174	193	214	*23%*	*12%*
(x) SC Take Rate	*0.18%*	*0.19%*	*0.17%*	*0.16%*	*0.16%*	*0.17%*	*0.18%*	*0.19%*	*0.19%*	*0.20%*	*0.21%*	*(4%)*	*4%*
(d) SC ARR	**$95**	**$132**	**$152**	**$155**	**$178**	**$204**	**$245**	**$289**	**$337**	**$390**	**$449**	***18%***	***17%***
Memo: SC Market Share	6%	7%	7%	8%	9%	9%	10%	11%	11%	12%	13%	*9%*	*7%*
Domestic GC ARR	296	404	516	618	713	825	999	1,193	1,402	1,641	1,912	*28%*	*18%*
ENR400 ARR				218	246	285	345	412	485	568	663		*17%*
Non-ENR400 ARR				400	467	540	655	781	918	1,073	1,249		*18%*
Owner ARR	106	158	223	258	296	358	449	553	666	796	943	*35%*	*21%*
SC ARR	95	132	152	155	178	204	245	289	337	390	449	*18%*	*17%*
Total Domestic ARR	**497**	**695**	**891**	**1,030**	**1,186**	**1,386**	**1,694**	**2,035**	**2,405**	**2,827**	**3,304**	***28%***	***18%***
% Growth		*40%*	*28%*	*16%*	*15%*	*17%*	*22%*	*20%*	*18%*	*18%*	*17%*		
% of ARR from Domestic GCs	*60%*	*58%*	*58%*	*60%*	*60%*	*59%*	*59%*	*59%*	*58%*	*58%*	*58%*		
Intl. Build													
Intl. Construction Volume ($Tn)	$1,530	$1,680	$1,816	$1,891	$1,910	$1,957	$2,055	$2,179	$2,320	$2,413	$2,510	*7%*	*4%*
Intl. GC Customers	1,340	1,540	1,679	1,685	1,711	1,779	1,850	1,924	2,001	2,081	2,164	*8%*	*4%*
(x) ACV per Customer	37	43	49	55	60	65	71	78	86	92	99	*14%*	*9%*
Intl. GC ACV ($B)	50	66	82	93	102	115	131	151	173	192	213	*23%*	*13%*
(x) Take Rate	*0.11%*	*0.10%*	*0.11%*	*0.12%*	*0.12%*	*0.13%*	*0.13%*	*0.14%*	*0.14%*	*0.15%*	*0.16%*	*2%*	*5%*
(a) Intl. GC ARR	$54.9	$69.1	$90.3	$106.7	$122.7	$145.3	$174.3	$209.2	$250.4	$290.6	$337.3	*25%*	*18%*
Memo: Intl GC Market Share	*3%*	*4%*	*4%*	*5%*	*5%*	*6%*	*6%*	*7%*	*7%*	*8%*	*9%*	*14%*	*8%*
Owner Customers	311	355	421	461	515	557	627	691	752	862	934	*14%*	*11%*
(x) ACV per Customer	63	68	73	77	76	80	82	86	91	89	91	*7%*	*2%*
Owner ACV ($B)	20	24	31	35	39	44	51	59	68	77	85	*22%*	*14%*
(x) Take Rate	*0.10%*	*0.11%*	*0.12%*	*0.13%*	*0.13%*	*0.14%*	*0.15%*	*0.16%*	*0.17%*	*0.18%*	*0.19%*	*9%*	*6%*
(b) Owner ARR	$19	$26	$37	$44	$51	$62	$77	$94	$115	$137	$160	*34%*	*21%*
Memo: Owner Market Share	*1%*	*1%*	*2%*	*2%*	*2%*	*2%*	*2%*	*3%*	*3%*	*3%*	*3%*	*14%*	*9%*
SC Customers	335	408	514	594	666	722	812	893	967	1,102	1,183	*21%*	*11%*
(x) ACV per Customer	28.0	28.5	28.5	28.7	28.2	28.7	28.7	29.6	31.0	29.9	30.6	*1%*	*1%*
SC ACV ($B)	$9	$12	$15	$17	$19	$21	$23	$26	$30	$33	$36	*22%*	*12%*
(x) Take Rate	*0.18%*	*0.19%*	*0.17%*	*0.16%*	*0.16%*	*0.17%*	*0.18%*	*0.19%*	*0.19%*	*0.20%*	*0.21%*	*-4%*	*4%*
(c) SC ARR	$17	$22	$26	$27	$31	$35	$42	$49	$58	$67	$76	*17%*	*16%*
Memo: SC Market Share	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.1%	1.2%	1.3%	1.4%	1.4%	*14%*	*7%*
Intl. GC ARR	$55	$69	$90	$107	$123	$145	$174	$209	$250	$291	$337	*25%*	*18%*
Owner ARR	$19	$26	$37	$44	$51	$62	$77	$94	$115	$137	$160	*34%*	*21%*
SC ARR	$17	$22	$26	$27	$31	$35	$42	$49	$58	$67	$76	*17%*	*16%*
International ARR	**$90**	**$116**	**$153**	**$178**	**$204**	**$243**	**$293**	**$353**	**$424**	**$494**	**$574**	***25%***	***19%***
% Growth		*29%*	*32%*	*16%*	*15%*	*19%*	*21%*	*21%*	*20%*	*17%*	*16%*		
Domestic ARR	$497	$695	$891	$1,030	$1,186	$1,386	$1,694	$2,035	$2,405	$2,827	$3,304	*28%*	*18%*
International ARR	$90	$116	$153	$178	$204	$243	$293	$353	$424	$494	$574	*25%*	*19%*
ARR	**$587**	**$811**	**$1,044**	**$1,208**	**$1,390**	**$1,629**	**$1,986**	**$2,387**	**$2,829**	**$3,320**	**$3,877**	***27%***	***18%***
% Growth		*38%*	*29%*	*16%*	*15%*	*17%*	*22%*	*20%*	*18%*	*17%*	*17%*		
Avg. # of Products per Customer	2.97	3.08	3.20	3.32	3.46	3.65	3.84	4.03	4.22	4.41	4.61	*4%*	*5%*
Bookings	$169	$257	$282	$235	$242	$322	$455	$520	$585	$661	$756	*11%*	*19%*
% Growth		*52%*	*10%*	*(17%)*	*3%*	*33%*	*41%*	*14%*	*12%*	*13%*	*14%*		
Net New ARR		$224	$232	$168	$182	$239	$357	$401	$442	$491	$557		*20%*
% Growth			*4%*	*(28%)*	*8%*	*31%*	*50%*	*12%*	*10%*	*11%*	*13%*		

DML Dec 2025

GAAP P&L - Non-Stub	Historicals 2021A	2022A	2023A	2024A	Base 2025E	2026E	2027E	2028E	2029E	2030E	2031E	CAGR '21-'24	'24-'30
Domestic Revenue	$440	$617	$816	$982	$1,107	$1,283	$1,533	$1,851	$2,203	$2,588	$3,023	*31%*	*18%*
Intl. Revenue	$75	$104	$134	$170	$192	$226	$274	$336	$406	$487	$576	*31%*	*19%*
Total Revenue	**$515**	**$720**	**$950**	**$1,152**	**$1,299**	**$1,510**	**$1,808**	**$2,187**	**$2,608**	**$3,075**	**$3,599**	*31%*	*18%*
% Growth		*40%*	*32%*	*21%*	*13%*	*16%*	*20%*	*21%*	*19%*	*18%*	*17%*		
Total Gross Profit	**$424**	**$594**	**$798**	**$972**	**$1,078**	**$1,258**	**$1,512**	**$1,837**	**$2,200**	**$2,603**	**$3,059**	*32%*	*18%*
% Margin	*82%*	*83%*	*84%*	*84%*	*83%*	*83%*	*84%*	*84%*	*84%*	*85%*	*85%*		
S&M	$305	$413	$482	$539	$552	$613	$699	$804	$909	$1,012	$1,116	*21%*	*11%*
R&D	$235	$267	$298	$310	$305	$333	$374	$421	$465	$505	$540	*10%*	*8%*
G&A	$157	$166	$196	$218	$195	$209	$229	$251	$270	$282	$288	*12%*	*4%*
Operating Costs excl. Amort	**$696**	**$846**	**$976**	**$1,067**	**$1,052**	**$1,155**	**$1,302**	**$1,476**	**$1,643**	**$1,799**	**$1,943**	*15%*	*9%*
S&M % of Revenue	*59%*	*57%*	*51%*	*47%*	*43%*	*41%*	*39%*	*37%*	*35%*	*33%*	*31%*		
R&D % of Revenue	*46%*	*37%*	*31%*	*27%*	*24%*	*22%*	*21%*	*19%*	*18%*	*16%*	*15%*		
G&A % of Revenue	*30%*	*23%*	*21%*	*19%*	*15%*	*14%*	*13%*	*12%*	*10%*	*9%*	*8%*		
GAAP EBITA	**($272)**	**($252)**	**($178)**	**($96)**	**$26**	**$103**	**$211**	**$361**	**$556**	**$805**	**$1,116**		
% Margin	*(53%)*	*(35%)*	*(19%)*	*(8%)*	*2%*	*7%*	*12%*	*17%*	*21%*	*26%*	*31%*		
(+) Amortization	13.8	38.4	37.6	40.8	46.0	53.5	64.0	77.5	92.4	108.9	127.5		
% Revenue	*3%*	*5%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*		
GAAP EBIT	(285.9)	(290.5)	(215.7)	(136.4)	(20.0)	49.7	146.9	283.4	464.1	695.6	988.1		
% Revenue	*-56%*	*-40%*	*-23%*	*-12%*	*-2%*	*3%*	*8%*	*13%*	*18%*	*23%*	*27%*		
(+/-) Interest & Other		*4*	*28*	*35*	*25*	*23*	*28*	*39*	*56*	*80*	*113*		
Pre-Tax Earnings		*(286)*	*(188)*	*(104)*	*5*	*73*	*175*	*322*	*520*	*776*	*1,101*		
(-) Taxes		*0.47*	*1.27*	*1.78*	*1.00*	*15.29*	*36.69*	*67.68*	*109.22*	*162.91*	*231.24*		
GAAP Earnings		*(286)*	*(187)*	*(102)*	*6*	*88*	*211*	*390*	*629*	*939*	*1,332*		
% Net Income Margins		*-40%*	*-20%*	*-9%*	*0%*	*6%*	*12%*	*18%*	*24%*	*31%*	*37%*		

B/S & CFS	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	'24-'30
GAAP EBIT					(20.0)	49.7	146.9	283.4	464.1	695.6	988.1	
(+) Depreciation					55.23	64.18	76.85	92.97	110.88	130.70	152.98	
(+) Amortization					46.02	53.47	64.03	77.46	92.39	108.91	127.47	
(+/-) Ch. NWC					54.35	50.75	63.06	105.02	118.63	130.21	143.92	
(-) CapEx					(77.47)	(90.02)	(107.79)	(130.40)	(155.52)	(183.33)	(214.58)	
(+) Interest Income, Net					24.81	23.11	27.83	38.93	56.02	80.11	113.00	
(-) Taxes					*(1.00)*	*(15.29)*	*(36.69)*	*(67.68)*	*(109.22)*	*(162.91)*	*(231.24)*	
(+/-) Other					-	-	-	-	-	-	-	
FCFF					*82*	*136*	*234*	*400*	*577*	*799*	*1,080*	
% EBIT Conversion					*-24%*	*37%*	*63%*	*71%*	*80%*	*87%*	*92%*	
% Yield					*1%*	*1%*	*2%*	*4%*	*5%*	*7%*	*10%*	
(-) Debt Paydown					-	-	-	-	-	-	-	
(-) Acquisitions					*(45.00)*	-	-	-	-	-	-	
(-) Buybacks					*(170)*	*(100)*	-	-	-	-	-	
(-) Other, Net					-	-	-	-	-	-	-	
FCFE					*(133)*	*36*	*234*	*400*	*577*	*799*	*1,080*	
EoP Debt					$27	$27	$27	$27	$27	$27	$27	
(-) Cash					642	678	912	1,312	1,889	2,689	3,768	
Eop Net Debt					(615)	(651)	(885)	(1,285)	(1,862)	(2,661)	(3,741)	
Metrics												
Rule of:		*3%*	*10%*	*8%*	*17%*	*24%*	*34%*	*37%*	*40%*	*44%*		
Magic Number		*0.54x*	*0.48x*	*0.31x*	*0.33x*	*0.39x*	*0.51x*	*0.50x*	*0.49x*	*0.49x*		
FDSO (as of Q3 2025)				160	160	162	165	169	171	173		*1.3%*

(=) NTM Revenue (Stubbed)	$3,468
(x) Multiple (NTM Revenue)	7.2x
TEV	**25,002**
(+/-) Net Debt (Stubbed)	2,461
Equity Value	27,464
/ FDSO	169
Share Price in 5 Years	$162.4
(/) Current Share Price	$74.1
MoM	**2.19x**
IRR	**17.0%**

Low	Base	High
5.2	7.2	10.2
18067	25002	35406
2461.3	2461.3	2461.3
20528.2	27463.7	37866.9
169.0	169.0	169.0
$121.5	$162.5	$224.1
$74.1	74.13	74.13
1.64	**2.19**	**3.02**
10.4%	**17.0%**	**24.8%**

Macro

Forward Indicators

There are three main industry terms that help to model near-term construction spending:

- Starts refer to the new construction booked value – you'll notice each segment goes through their own cycles for new starts.
- Backlog refers to the total remaining booked value of all remaining projects
- Spending are the actual cash outlays from this booked value – and they tend to follow segment specific investment curves
  - Note that spending is a function of inflation + volume, with the former being major contributor
  - The general non-residential cash curve tends to follow *y1 = 20%, y2 = 50%, y3/4 = 30%*

Our formalized approach is to model Spending (2025) = backlog (2024) + spending from completed projects + spending from new starts + net other spending (i.e., cancellation or extensions). We focus on the needle movers for private and public non-residential, namely – (Private = Manufacturing, Power, Commercial, Office; Public = Highway & street, education, transportation, and sewage & disposal. We spend more time on manufacturing to a) illustrate the methodology via application, b) focus on the largest contributor, and c) explain why manufacturing had the most pronounced historical CAGR ~23% ('19-'25 May LTM CAGR), nearly double any other category.

Private-Manufacturing [31% of Private]

- Spending Curve: Industry analysts assert that the typical cash outlay curve follows a 20% / 50% / 30% split with the 30% being allocated across year 3 and 4. However, given the more complex nature of a manufacturing plant vs. a chipotle, these projects tend to be a bit more back-weighted so we assume a 17% / 40% / 43% split (with a similar dynamic in years 3 & 4).
- Starts[11]: Significantly increased over the past few years because of government incentives (*onshoring push*) and earmarked investment bills like the CHIPS (~$50B) + IRA act. However, unlike prior manufacturing booms – this one was sparked by investments into computers & electronics, which accounted for ~70% of the increase in manufacturing spending. Prior to 2020, or the start of the manufacturing boom, construction new starts ranged from ~$50B-100B, with the most significant peak to trough occurring in '08-'09 with a ~70% drawdown from 2008 peaks (*2000-2002 = ~40% / 2014 to 2016 = ~45%)*. While the peak to trough is a helpful sense check, we estimate that the steady state new construction starts should range around $115-130B a year – based on a 5-6% construction start value CAGR applied to ~$80-90B of 2019 manufacturing volumes consistent with the general construction market growth through the cycle. This ~$115-130B implies a 35-45% peak to trough, aligning with prior manufacturing cycles.
- Backlog: Has mostly been driven by the computer & electronic boom, which we think adds a bit more risk to the "quality" of the backlog. Specifically, this investment has resulted in more "mega-projects", with the number of billion-dollar factories from '21-'23 equaling the total over the past 8 years. This naturally means that delays or cancellations can have major impacts vs. a more mid-sized industrials driven base. Over the past 3 years ~50-60% of the beginning of year backlog was completed yearly – with a clear trend upwards (+1000bps gain from '21-'24). Qualitatively, this rising percentage represents the completed work that is not being replaced by new starts, and should continue to rise as new starts bottom out over the next few years. Public estimates place the backlog as ~$270B at the start of 2025, and we have it bottoming out at ~$200B, given the return to normalcy in manufacturing new starts and raised risk of cancellations for these mega-projects.
- Upshot: Private manufacturing is expected to contract to ~$165B of value put in place in 2027, dragging down growth ~3 pts over that period

Power (18% of Private) / Commercial (16%) / Office (12%)

- Power: Grew at a ~6% CAGR from May 2019 to May 2025, with mix staying consistently around ~20% of Private non-residential volume. The category has benefitted from some of the same legislation as manufacturing, namely

[11] Methodology Note: We take dodge construction network data from 2010-2019 and compared it to 2010-2019 value put in place data, which revealed a ~50% coverage mismatch. This was consisted with certain researchers like Ed Zarenski – so we use his figures which adjust for the "share" that Dodge sees in their starts.

the IRA, which provides tax credits and incentives for renewable energy projects, which has caused new starts to enter a upswing and reach ~$200B a year. However, a reduction in solar / wind permits is expected over the next several years due to policy friction and lack of renewals from this administration, leading the U.S. Energy Information Admin predicting ~25 GW added in '25 and '26 vs. 37 GW in 2023. The tailwind combating this for new starts is the rise of coal & gas plants to serve burgeoning electricity demand (4-5GW a year) and transmission / distribution capex that is expected to be ~$1.1Tn over the next 5 years. We expect the storage + T&D capex to mitigate the drop in solar starts to a ~10-20% drawdown with the large remaining backlog driving growth slightly below historical levels (~4-5%)

- Commercial: Grew at a ~6% CAGR from May 2019 to May 2025, with mix staying consistently around ~18% of Private non-residential volume. Nearly 50% of commercial volume stems from warehouses, which saw a similar increase to manufacturing in 2021 and 2022 – due to "re-shoring", low rates, and e-commerce build outs. New construction starts nearly doubled from an estimated ~$30B a year to $70B, but have since tapered off at ~$60B due to high rates and slow warehouse spending. As new starts continue to decelerate, we expect warehouses to return to a MSD grower in line with e-commerce growth. We underwrite the overall commercial segment to grow slightly below warehouses (closer to 3-4%) to bake in conservatism on consumer strength for hotel / retail builds.
- Office: Grew at a ~6% CAGR from May 2019 to May 2025, with mix staying consistently around ~12-15% of Private non-residential volume. As of August 2025 data, DCs make up ~45-50% of office construction spend, which has doubled over the past few years. New starts for data centers is the single biggest driver in this category, with consensus estimates centering on a ~20-25% growth year in 2025 and growth slowing to mid-high teens in '26 and '27. This implies a ~5% CAGR growth contribution over the next 2-3 years from DCs in office – with upside if AI revenues & economics allow for even larger GW builds (i.e., if pre-training and mid-training continue to scale). However, this CAGR contribution masks a structurally declining office segment, which is combating hybrid work, new starts for non DC office work have declined 5-10% over the past few years. Thus, we underwrite a (1-2%) decline in line with industry analyst's estimates, leading to a ~4% CAGR over the next few years.

Highway (29%) & Street / Education (22%)

- Highway& Street: Grew at a ~7% CAGR from May 2019 to May 2025, with mix staying consistently around ~30% of Public non-residential volume. This category resembles manufacturing and power in that massive spending bill(s) have elevated new construction starts driving a long-tailwind, but highways are earlier in that tailwind. The IIJA authorized $350B for federal programs, with ~$250B already committed from states as of September. This has led new construction starts to rise up to ~$171B a year. While, this funding has been a clear tailwind there is a risk that there is a "cliff" / decrease in infrastructure investing next year, which would start to show up in 2027 data. Thus, given the risk of legislative push-back we bake in conservatism and model growth closer to ~4-5% below the 7% historical CAGR.
- Education: Grew at a ~6% CAGR from May 2019 to May 2025, with mix staying consistently around ~20% of Public non-residential volume. A bit unique vs. other segments given they depend on local & state governments, and have not seen an inflection due to landmark legislation. Instead, education has been a durable grower due to district growth and K-12 stock. New starts have consistently grown at 5-10%, meaning that over the next few years growth should continue to stay in line with historical growth – as new starts continue to replenish the backlog. Thus, this segment should grow at MSD over the next few years

Autodesk

Autodesk is dominant in all-things AEC simulation (i.e., the design phase), with AutoCAD & Revit reaching >80% market share[12] according to management, aided by the number of universities who offer AutoCAD and Revit for free. The industrial logic behind the design phase & make / build phase hinges on the real-time interoperability of the models that architects design. For context, these BIM (Building Information Modeling) models are meant to be dynamic point, shape, and line representations of the blueprint that field workers reference – e.g., this post goes here. However, these designs will change during the project, and specialty workers theoretically need the latest version of

[12] Should be looked at as a package given Revit has been taking share from AutoCad and is often supplemented

the model to reduce the risk of re-work.

What % of Procore customers sole source Procore vs. multi-home?

Another way to think about this share problem is where is Procore the dominant solution and therefore has a clear right to drive outsized share of wallet gains over time. This *is an extremely difficult data point to predict*, we solve by anchoring on a historical figure we think is fair and then sizing around it

- Procore Only: Our market research indicates that ~60-70% of customers sole-source Procore (*based on ~20 Procore customer interviews*). While it's possible these customers could mix into the multi-homing category, we argue it's unlikely for three reasons. (i) While Autodesk / competitors were used for ~35-40% of Procore customers, Procore was used in 65-70% of competitor offerings. Said differently, when customers multi-home it's typically because they are *adding* Procore to their portfolio after starting with another solution as opposed to adding another solution to Procore. Thus, once a customer chooses Procore we think it's unlikely they will travel to the next bucket. (ii) Qualitatively, we believe this is because Procore is seen as the "premium" option in the market with the largest misgivings being the price / pricing model. However, if a customer is comfortable enough to solely procure Procore from the start it's rare to see them start to multi-home. (iii) Moreover, market surveys continually indicate that GCs are focused on *consolidating* their tech stack as opposed to expanding it – mainly due to simplified reporting and common data models.
- Multi-Home: ~30-40% of the Procore base leverages Autodesk in a construction context. On average, customers report allocating 50% of their construction volume to Procore vs. Autodesk when both solutions are used, with the split being driven by project type and idiosyncratic product preferences. On the former, customers report a preference for Autodesk when there are more design-heavy workflows, think highways given the pre-design functionality that Autodesk offers. This is a small sample size, but we think that the 50:50 split for Procore & Autodesk customers is consistent with the narrowing product gap. For several years, Autodesk was seen as a laggard in the project management phase, with limited functionality around submittals, RFIs, and scheduling. However, over the past few years Autodesk Construction Cloud has closed the gap ("Autodesk Build or ACC") via >4 acquisitions that have widened functionality but traded off on usability for customers. We think this usability gap, which we suspect is structural to the product given the inherent heaviness of the model-heavy functionality and wide set of irrelevant modules for field workers, caps Autodesk's potential to achieve more than 50%. Additionally, one of the primary strengths for Autodesk is their BIM functionality that helps users model their construction blueprints and easily identify gaps between the physical world and plans – helping to reduce rework. Procore has closed this gap with two acquisitions this year (Novorender: BIM / FlyPaper for Clash Detection). Both of these products have solid market feedback and mark an improvement over the lack of options that Procore used to provide – therefore improving Procore's relative offering.

International

Conversion Assumptions	
CAD to USD	0.75
AUD to USD	0.65
NZD to USD	0.6
EU to USD	1.15
UK to USD	1.25

(Local Currency)	2017	2018	2019	2020	2021	2022	2023
AUS Vol	$156.9	$149.6	$144.9	$146.8	$150.9	$166.5	$195.8
NZD Vol				$22.0	$22.7	$24.5	$26.5
CA Vol			$176.7	$167.4	$178.7	$205.5	$226.2
EU Vol ex. UK	$636.4	$686.5	$740.6	$728.1	$789.9	$871.8	$934.8
UK Volume					$115.9	$117.6	$123.7

(Local Currency)	2017	2018	2019	2020	2021	2022	2023
AUS Vol	$102.0	$97.2	$94.2	$95.4	$98.1	$108.2	$127.3
NZD Vol				$14.3	$14.8	$15.9	$17.2
CA Vol			$132.5	$125.6	$134.0	$154.1	$169.7
EU Vol	$731.9	$789.5	$851.7	$837.3	$908.4	$1,002.6	$1,075.0
U.K. Volume					$144.9	$147.0	$154.6
Total RoW					**$1,300.2**	**$1,427.9**	**$1,543.8**
% Growth						*10%*	*8%*
% Captured	*85%*	*85%*	*85%*	*85%*	*85%*	*85%*	*85%*
RoW with Diff					**$1,529.69**	**$1,679.89**	**$1,816.20**
U.S.					867	1057	1272
Total GMV					**$2,167.6**	**$2,485.2**	**$2,816.0**

World Bank Estimates Real GDP	2025	2026	2027	2028	2029	2030
Australia Real GDP	1.8%	2.1%	2.2%	2.2%	2.3%	2.3%
NZD Real GDP	1.8%	2.1%	2.1%	2.2%	2.2%	2.2%
CA Real GDP	1.2%	1.5%	1.5%	1.6%	1.6%	1.6%
EU	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%
U.K	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%

World Bank Estimates Inflation	2025	2026	2027	2028	2029	2030
Australia Inflation	2.6%	3.0%	2.9%	2.8%	2.6%	2.5%
NZD Inflation	2.7%	2.1%	2.1%	2.1%	2.0%	2.0%
CA Inflation	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%
EU	2.1%	1.9%	1.9%	2.0%	2.0%	2.0%
U.K	3.4%	2.5%	2.4%	2.3%	2.1%	2.0%

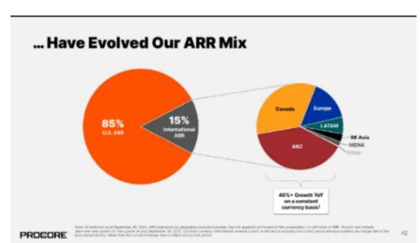
World Bank Estimates Nominal GDP	2025	2026	2027	2028	2029	2030	24-'30 Avg.
Australia Nominal	4.4%	5.1%	5.0%	5.0%	4.9%	4.8%	4.9%
NZD Nominal	4.5%	4.2%	4.2%	4.2%	4.2%	4.2%	4.3%
CA Nominal	3.2%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
EU	3.3%	3.0%	3.0%	3.1%	3.1%	3.1%	3.1%
U.K	4.7%	3.8%	3.7%	3.6%	3.5%	3.4%	3.8%

International Calc	
ANZ + CA % of Procore Intl. ACV	82%
Europe % of Procore Intl. ACV	18%
AN/Z + CA Average	4.2%
Europe Average	3.4%
Total Avg.	***4.1%***

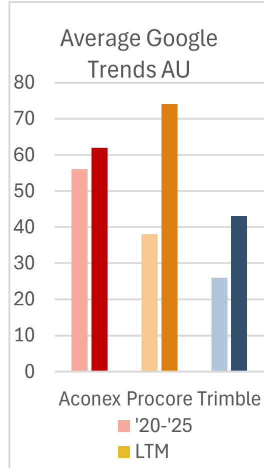
International GCs: [~65-70% of Intl. ARR]

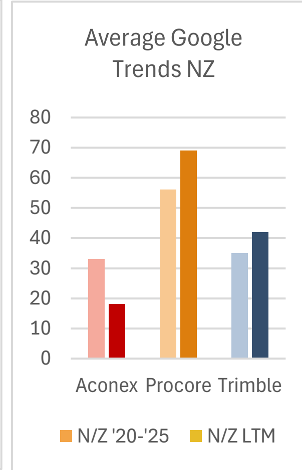
Prior to diving into the mechanical share of wallet drivers and the new logo dynamics, we want to frame up which geos matter and what are the competitive dynamics in each.

The priority geos are: AN/Z and Canada – which make up around ~70% of international revenue as of the 2022 investor day and maps nicely to 2/5 international offices with a sales & marketing presence. Procore recently made two major changes a) they have restructured their GTM to a de-centralized GM model, assigning a regional manager to each geo and b) launched international product changes like regional currencies, languages, and data storage that helps follow local practices & regulations.



AN/Z: AN/Z likely makes up ~6% of Procore revs and is around ~$70M – not reported but consistently cited as the 2nd / 3rd market along with U.S. and Canada. We estimate that annual non-resi construction volume is ~$225B (A$ 330B) and there are roughly 10-15k non-resi GCs. At 0.5-1% of ACVs, construction software would be a $1B-2B software market, of which project management likely makes up 40-50% (*20-50bps*), penciling in at ~$500M-$1B TAM. Aconex is the market share leader, with ~$300M of revenue in Australia per our earlier calc. This maps with management's characterization of AN/Z's competitive dynamic as a "*legacy incumbent market*" at their latest investor day. Thus, we think growth will be determined by brown-field replacements. Procore is well positioned to take share in the market with forward indicators like google trends and job listings[13] indicating growing Procore momentum vs. Aconex. This is driven by Oracle's acquisition of the platform which has stymied product development in addition to increased awareness and localization of Procore's platform for Australia / New Zealand.

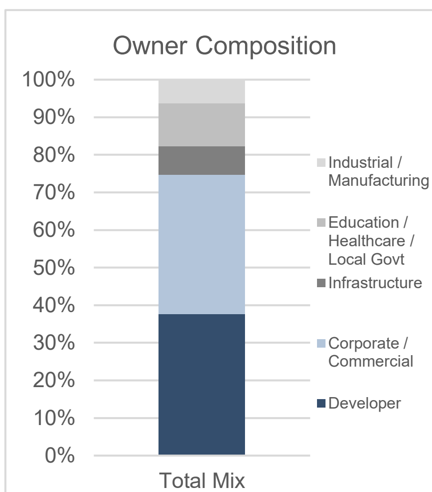


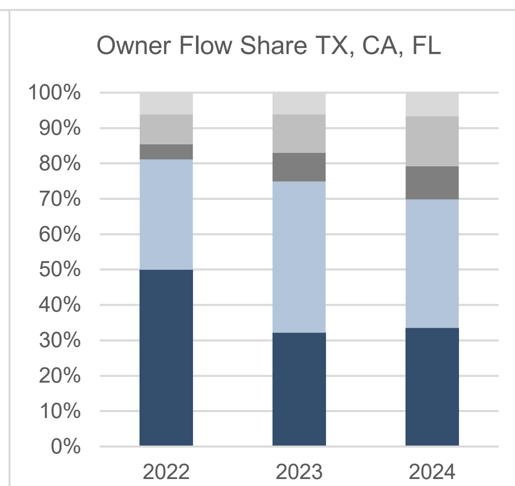


Canada: Slightly smaller than AN/Z based on the 2022 investor day disclosures – likely closer to $55-60M of FY'24 ARR and 5% of total ARR. The total non-residential construction Canadian market is $180B (*using a 0.75 conversion rate*) with ~10k non-residential general contractors. Applying the same IT spend and share of project management dollars, we estimate the Canadian non-residential project management software market is around ~$350-375M USD, with Procore occupying ~15% market share. Management characterizes this market as more fragmented, which is consistent with the market commentary we have seen involving local vendors like CMiC (ERP-tool) and Jonas (SMB) in addition to the typical competitors like Aconex, Trimble, and Autodesk construction cloud. While our diligence is limited by our lack of access to Canadian customer transcripts – we are encouraged by forward indicators like job postings, where Procore has nearly ~1.5x more job listings[14] vs. Autodesk Construction Cloud.

Owners finance projects and use several GCs / SCs across their construction portfolio; in essence their ACV gets divided amongst the other stakeholders. While historically, this segment has been more involved in property management, as reflected by existing software solutions like Yardi Voyager, vs. the active construction process, project fragmentation and more targeted owner personnel have made owners a more addressable stakeholder. Owners are distinct from other stakeholders given their more long-term oriented perspective on the construction projects

Owner Segmentation: Owners vary in the type of projects and usage of buildings – with developers primarily leasing the space and the other stakeholders occupying the spaces. To further understand the segmentation of the customer base we used the Procore construction network[15] + AI to tag owners. To streamline the Owner analysis we chose Texas, Florida, and California as the major markets[16], consistent with construction volume, and mapped owners into one of five segments. Three key findings were: a) the majority of owners are in the private sector (80%+) …but b) public sector owners have doubled their flow share from 13% to 25% over the past few years, and c) we are seeing occupants become more involved in the capital planning / build process which was historically dominated by more tech-forward developers.





[13] As of September the leading AN/Z job platform had 361 procore job listing vs. 161 for Aconex
[14] We anchor on a 1.5x difference but we think it may be more pronounced given some LI job listings will include Autodesk only software job descriptions vs. ACC
[15] While we are conscious of the limitations of alternative data we believe this is a unique signal given a) the purpose of the site, to help contractors collaborate with other Procore accounts, incentivizes frequent and complete updates. Moreover, we identified ~3k Procore owners across these major states, consistent with the 3.2k owners that Procore reports
[16] The way that Procore tags customers is based on whether a customer has a project in that state, i.e., national real-estate developer may be headquartered in Boston, but they will show up in the Texas search if they have ever completed a project in Texas.

(a) Established Products to New Buyers

Leveraging module adoption disclosures, customer logo mix, and avg. number of products by customer we can estimate the logo adoption of each product by segment.

Below we model the directional attach by product in each segment – with the sense check being that these product x segment estimates must sum to the respective product totals from the 2024 investor day. We have highlighted the products we believe can push each segment to 4+ products.

Directional Product Attach

Logo Mix	FY-24 Logo	Logo '%	# of product	Est.	Actual	PM	Q&S	Financials	Invoice	Bidding	Resources	Analytics	Pay
ENR400	288	2%	5.1	1,411.20	1,468.80	288.00	273.60	230.40	201.60	144.00	115.20	57.60	100.80
Non-ENR 400 Domestic GCs	7945	46%	3.6	28,799.93	28,601.31	7,785.9	6,355.8	5,362.7	3,972.4	2,979.3	1,787.6	397.2	158.9
Intl. GCs	1685	10%	3.2	5,611.92	5,392.84	1,651.6	1,516.7	969.0	589.8	421.3	379.2	84.3	-
Owners	3135	18%	3.2	10,047.58	10,031.90	3,072.27	783.74	2,037.73	1,724.23	470.25	705.37	1,253.99	-
Specialty Contractors	4035	24%	2.8	11,923.30	11,297.88	3,954.26	2,582.37	2,017.48	1,210.49	1,210.49	907.87	40.35	-
Total	17088			57,793.94	56,792.74	98%	67%	62%	45%	31%	23%	11%	2%
% Adoption													
ENR400				4.90		100%	95%	80%	70%	50%	40%	20%	35%
Non-ENR 400 Domestic GCs				3.63		98%	80%	68%	50%	38%	23%	5%	2%
Intl. GCs				3.33		98%	90%	58%	35%	25%	23%	5%	0%
Owners				3.21		98%	25%	65%	55%	15%	23%	40%	0%
Specialty Contractors				2.96		98%	64%	50%	30%	30%	23%	1%	0%

Below we dive into the reasons each segment should reach 4+ products over the hold.

MM+ Domestic GCs [~3.6 products -> 4.9 products]: You should think about financials + IM as the core "financials" bundle[17] – which have been around for 5+ years, and resource management as a newer release earlier in the adoption cycle. Financials, invoice management, and resources leverage a lot of the same data and address important but distinct parts of the cost workflow. If you think about cost management in a project – contractors need to budget for a project based on labor / materials requirements (*financials modules*), close out and process receipts (*invoices*) – and for select contractors, they need to manage these costs in live-time (*resource management*). Smaller GCs have been able to put off adoption of project financials with simplified ERP + excel sheets tech stack. However, the core bundle should replace these simplified stacks due to continued cost complexity from labor shortages and general digitization trends. Over the past 5 years concerns about specialty contractor quality / availability have risen from the #4 most cited concern (*44%*) to the #2 most cited concern since 2023 (*60%*) second only to rising direct labor costs (*62%*). Due to these pressures 25% of smaller GCs are planning on adopting a tool for cost management, and ~36% of more mid-sized firms are planning on increasing their investment into accounting software this year. We model financials / invoices reaching ~70%+ attach in this segment.

Moreover, these products should have a "bundling" effect, where users of the core financials product drive resource management usage. This module is most relevant for contractors who are actually scheduling laborers or using materials – which is the vast majority of mid-market GCs. Many of the same drivers that are pushing MM domestic GCs towards project financials and invoices are also resulting in subcontractor / materials management – with a recent survey showing that 30%+ of GCs are planning on adopting change order and scheduling software for subcontractors. Therefore, we model resource management reaching ~65% attach – in line with where financials / IM sit today.

Owners [3.2 products -> 4.5 products]: Owners have different SLAs given their focus on financing + building maintenance vs. the narrow slice the construction process represents of building ownership. It's no surprise that several products apply less to owners because they are not the main party procuring or executing construction, namely bidding, quality and safety, and resources. Even some of the products that are relevant have to be tailored for owners – for instance, project financials have been modified to include a capital planning module that takes a longer-term view on financing across a portfolio of projects. This is why we think Owner adoption of the "core-financials" bundle has lagged other large construction volume logos, like the ENR400 – for reference we believe owners generate ~$200M of annual construction volume. Other changes that Procore have made over the past few years is a refreshed owner specific UI, new columns for owner invoices, and owner invoice workflows / integrations with Sage 300 all made in 2025. The product changes should help Procore take advantage of increased transparency and cost controls that have made owners even more focused on the cost of projects and more willing to adopt stand-alone modules. Thus, we end up modeling core financial products

[17] While we do not have access to customer transcripts, we are encouraged by marketing materials that frame Project management, Q&S, financials, invoice management, and resource management as SMB / MM GC tools

reaching near ENR400 adoption. Additionally, the analytics product – a centralized hub that enables owners to interact with project data easier – has seen strong adoption in this segment given the more reporting based nature of owner jobs. We think the need for transparency and improved chat / AI interfaces should make the querying power of analytics even more powerful for these front office roles that need to crawl across increasingly fragmented + compliance based projects, Thus, we underwrite owner product adoption growing ~6%

Management reports that ~65% of customers use a financial management module & 40% use invoice management, which represents the current base of addressable Procore pay customers. We narrow the "addressable" segment down to domestic GCs, given a) they are the primary "purchaser" & b) Procore pay is only available in the U.S. Applying these addressability the effective adoption rate for both financial management and invoice management rises to 60% - which we model as a slow gain over time given the maturity of the product. Moreover, while we model Procore share increasing in the MM/ENT domestic GC segment, customers typically adopt an additional solution 2-3 years after joining the platform, which would mean customers who joined from '25-'28 would represent the bulk of addressable new logos. Thus, we model the majority of Procore pay attach from <u>existing</u> Procore invoice customers, a base of 7-10k customers.

Most GCs do not use an automated invoicing solution (*30%*) and even fewer report leveraging an automated payment processing rail (*<10%*). It's unlikely that Procore customers currently leverage an alternative payment automation given that nearly 60% use Procore's invoice management, 2x the rate of industry surveys, and the tight industrial logic between invoice management and payment automation. Thus, most of the new logos should be greenfield from a core financials + payment processing solution.

On the competitive front the largest solution in the market is Oracle Textura – a cloud-based payment processing solution linked to Oracle's ERP suite and project management solution (Aconex). We estimate that Textura is ~$300M-$400M of Revenue given public disclosures on processed payment volume ($16B per month x 12 = $192B * 20bps = 400M *.8 = 320M). Textura is more expensive due to their pricing model that sets a higher ceiling for payments and their take rate methodology that is applied upfront vs. Procore who charges on the specific invoice. The latter contributes to a more expensive take rate because any cancellations or underbilling vs. contracted value is captured by Oracle. We estimate that Textura is on average ~20%+ more expensive than Procore pay – which at the cited cost estimates would mean that subs earn (20bps vs. 16bps) -> 5bps so if a sub-contractor earns $100 with $95 of non-take rate expenses, they would have to pay $0.05 more with Oracle / 100bps of pre-tax profit margin

We view the constraining factor on adoption as the hesitancy to broadly adopt the technology vs. the competitive dynamics vs. Oracle due to a) the low overlap of Texture + Procore Invoice management customers given the tighter logic and b) Oracle's weaker construction focused platform, with less focus being allocated towards product build out vs. Procore. Procore management has explained that they have intentionally slowed adoption to ensure that the product is fully built our prior to launching. Thus, we believe adoption will likely stay small over the next 1-2 years but once adoption hits critical mass, this part of the portfolio should grow extremely quickly. We bound that exact "minimum scale" via Textura – which went from 400 -> 800 GCs over the past 3 years but grew volume 5x. *Note that Procore pay was explicitly called out by management at a recent conference as one the three main modules adopted by customers*.