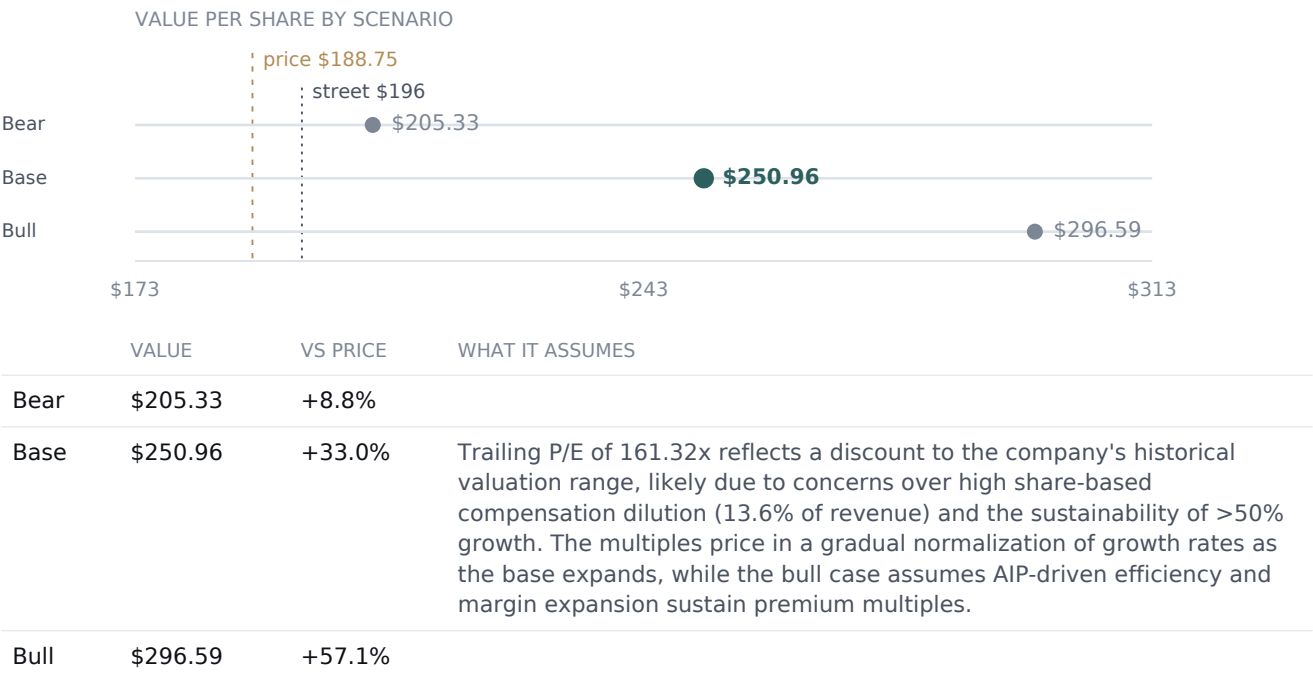


EQUITY RESEARCH / PLTR

Palantir Technologies Inc.

LONG CANDIDATE · historical study through 2026-10-02 · horizon 365 days · EARNINGS MULTIPLE

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$188.75	\$250.96	+33.0%	\$255.52	\$453.55B	161.3x



STREET CHECK

Street target **\$196** (+3.6% vs price) · 20 buy / 9 hold / 2 sell · forward P/E 85.5x · EPS estimates \$1.62 this year, \$2.34 next

Our base case is **1.28x** the Street target: within the Street's range.

Consensus is shown for calibration only. The model never receives it.

Thesis

Palantir is a high-growth software platform company delivering exceptional margin expansion and cash flow generation as AIP adoption accelerates across both government and commercial segments. TTM revenue growth of 56% and a TTM net margin of 49% demonstrate powerful operating leverage, supported by \$11.2B in TRDV and raised full-year 2026 guidance of \$8.15B in revenue and \$4.5B-\$4.7B in adjusted FCF. The base-case valuation of \$250.96 represents a 33% upside to the current \$188.75 price, implying the market is discounting the sustainability of AI-driven demand and the normalization of GAAP profitability.

What the market may be missing

The current trailing P/E of 161.32x trades at a significant discount to the company's own five-year range (190.78x-398.05x), pricing in concerns over high share-based compensation dilution (13.57% of TTM revenue) and potential growth deceleration. However, with TRDV doubling to \$11.2B, US commercial revenue surging 109% YoY, and gross margins holding at 84.8%, the market's risk premium appears disproportionate to the contracted backlog and execution track record.

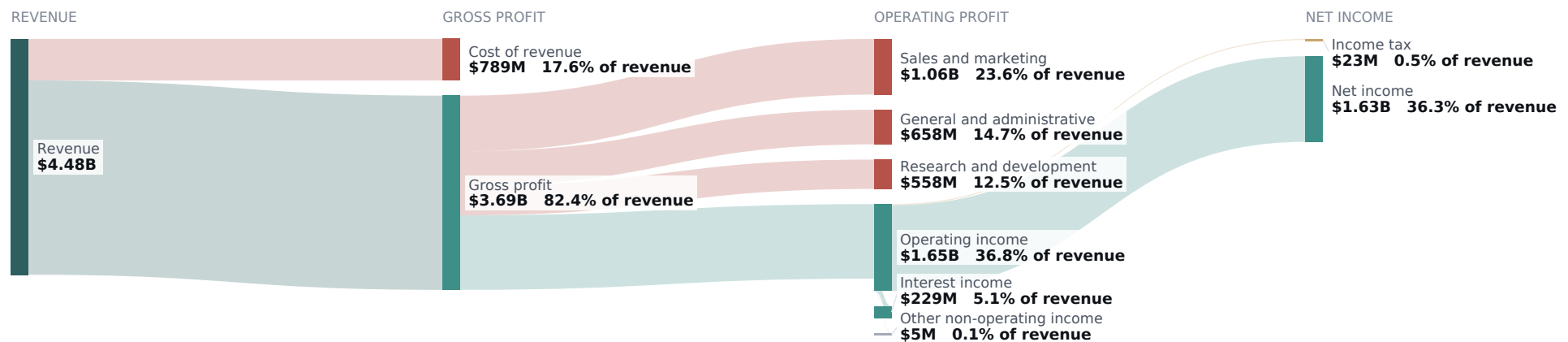
Why the opportunity exists

A narrative overshoot. The market is pricing the stock based on transient concerns over growth sustainability and SBC dilution, ignoring the structural shift toward sovereign AI and the company's demonstrable margin expansion. This narrative-driven discount suppresses the multiple below historical norms despite record contract backlogs and raised guidance. Evidence: Current trailing P/E of 161.32x vs 5-year range of 190.78x-398.05x; TRDV doubled to \$11.2B; TTM net margin of 49%; raised FY2026 revenue guidance to \$8.15B.

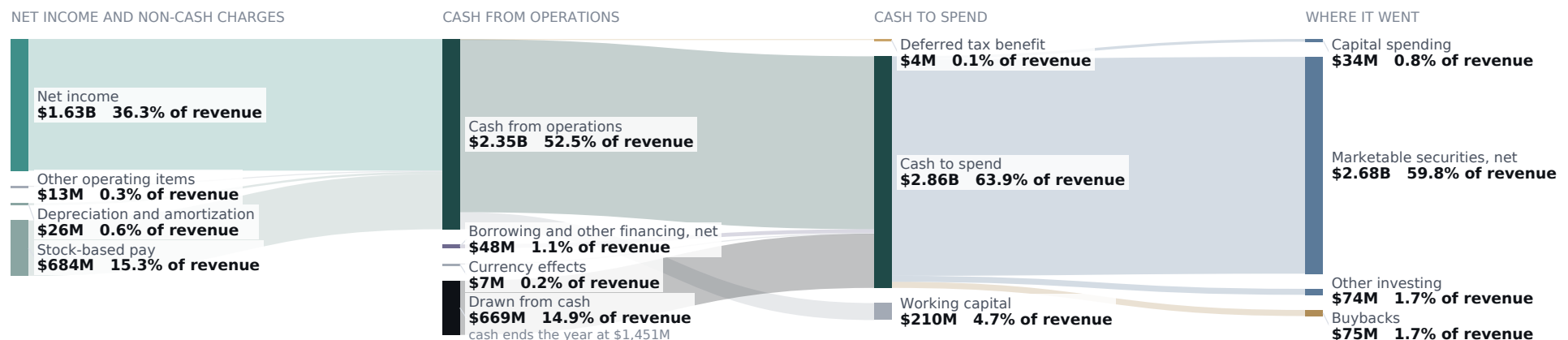
Follow the money: fiscal 2025

Of every \$100 of revenue, \$18 went to cost of revenue, \$51 to operating costs and \$0.5 to interest and tax, and \$36 became net income. Operations turned that into \$48 of cash; \$0.8 went to capital spending and \$1.7 back to shareholders. Operations turned that into \$48 of cash; \$0.8 went to capital spending and \$1.7 back to shareholders.

1 WHERE EVERY DOLLAR OF REVENUE WENT



2 HOW PROFIT BECAME CASH, AND WHERE THE CASH WENT SHOWN 1.5 TIMES LARGER THAN PANEL 1



From the 10-K for the fiscal year ended 2025-12-31, XBRL accession 0001321655-26-000011. Every band ties to a reported figure; where the tagged lines do not add up, the difference appears as an explicit other or working-capital band. Lines outside the standard set are placed by the filing's own calculation links, under the company's labels; borrowing and investment flows are netted by instrument.

The business

Palantir Technologies builds software platforms that empower government and commercial organizations to integrate data, decisions, and operations at scale, increasingly leveraging generative AI through its AIP platform.

What it sells

Four principal software platforms: Gotham (defense/intelligence operations and decision-making), Foundry (commercial data operations, analytics, and workflow development), Apollo (continuous delivery, infrastructure management, and deployment), and AIP (Artificial Intelligence Platform for integrating generative AI and LLMs with enterprise data). The platforms are unified by the Palantir Ontology, which maps data to context, logic, and actions to enable real-time connectivity and automated workflows across cloud, on-premises, and rugged environments. Software platforms (Gotham, Foundry, Apollo, AIP) sold via subscriptions (Palantir Cloud and On-Premises Software) with ongoing operations & maintenance (O&M) and professional services. Platforms provide data management, analytics, AI workflows, infrastructure orchestration, and defense/intelligence capabilities. Revenue is recognized ratably over contract terms (typically 1-5 years).

Customers and channels

Serves government agencies and commercial enterprises globally. As of December 31, 2025, had 954 customers. Revenue split 54% government, 46% commercial; 74% from US customers, 26% abroad. Top 20 customers averaged \$93.9 million in revenue for the TTM ended Dec 2025. Sales via direct account-based sales force, embedded consulting, AIP bootcamps, a Developer Tier for limited access, sector/industry operating systems, channel sales, and cloud partnerships (public, private, hybrid). Also forms joint ventures and strategic alliances (e.g., with Fujitsu). 954 customers as of Dec 31, 2025 (up from 711 in 2024). 54% government, 46% commercial. 74% US, 26% non-US. Dollar-weighted average contract duration is 4 years. Top 20 customers averaged \$93.9M revenue (up 45% YoY). Contracts are primarily direct, often containing termination for convenience provisions. IDIQ contracts exist but are excluded from TRDV.

Unit economics and costs

Sales cycles are long and unpredictable, typically lasting six to nine months but extending to a year or more for some customers. High customer acquisition costs stem from extensive sales efforts, senior management involvement, and provision of free or low-cost pilot deployments and bootcamps with no guarantee of conversion. Implementation involves high installation costs and complexity, requiring significant upfront investment. Operating expenses are expected to continue increasing as the company scales its sales force, R&D, and platform capabilities. Revenue recognition experiences seasonality, with many contracts executed in Q3 and Q4 due to customer fiscal year ends and procurement cycles. Contribution margin 66% in 2025 (up from 60% in 2024). Gross margin 82% (84% excluding SBC). Adjusted operating margin 50% (39% in 2024). SBC expense \$684.0M in 2025. Cost of revenue increased 39% to \$789.2M, driven by third-party cloud hosting (+\$94.6M), subcontractor expenses (+\$38.0M), and field-service reps (+\$29.1M).

Segments

- **Government** - Primarily serves customers that are U.S. government and non-U.S. government agencies.
- **Commercial** - Primarily serves customers working in non-government industries.
- **United States**
- **International**

Revenue drivers

- Expansion of relationships with existing customers (top 20 avg revenue grew from \$64.6M to \$93.9M year-over-year)
- Widespread adoption of AIP via rapid deployment bootcamps and the Developer Tier
- Scaling across new industries (airline, space, shipbuilding, insurance, healthcare, telecom, automotive, security)
- Expansion of cloud partnerships and channel sales alliances
- Growth in US federal government software spending capture
- Increased adoption of AIP and existing platforms by existing customers
- 109% revenue growth from US commercial customers
- Expansion in US government spending (\$1.9B from US govt)

Competitive position

Fundamentally competes with internal software development efforts by large enterprises, as well as large enterprise software vendors, government contractors, and system integrators. Differentiated by its ability to handle complex, high-risk, large-scale data integration projects where internal builds frequently fail and take years. Competitive factors include platform capabilities, data security/privacy features, speed of adoption, and the integrated Ontology architecture. Some competitors possess greater name recognition, deeper financial resources, larger sales budgets, and broader distribution networks. Proprietary platforms (Gotham, Foundry, Apollo, AIP) unified by the Ontology for systemic data mapping and decision workflows. Long-term partnership model with pilots conducted at company expense. Government base provides stability. Focus on rapid deployment to broaden market reach.

Industry direction

Organizations are shifting away from slow, high-failure-risk internal software development and patchwork IT solutions toward integrated, rapidly deployable software platforms that can be ready in days. There is a strong industry trend toward cloud-hosted infrastructure, centralized data operations, and the secure integration of generative AI and LLMs into enterprise workflows. Increasing regulatory focus on privacy, data protection, and AI governance is driving demand for platforms with built-in compliance, auditability, and privacy-by-design features. Rapid platform deployment expanding customer reach. Growing integration of generative AI and LLMs via AIP. Shift toward ontology-driven, real-time data connectivity and workflow optimization across commercial and government sectors.

Recent developments

- Q2 2026 revenue reached \$1.935B, up 93% YoY, with YTD revenue of \$3.568B, up 89% YoY.

- Government segment revenue grew 79% YoY to \$990M; commercial segment grew 110% YoY to \$945M.
- US commercial revenue surged 149% YoY to \$764M, serving as the primary growth engine.
- Management raised full-year 2026 revenue guidance to \$8.150-\$8.158B and adjusted operating income to \$4.889-\$4.897B.
- Strong contract momentum: closed \$3.373B in total contract value (+49% YoY), including a record \$2.132B in US commercial TCV.
- US commercial remaining deal value (RDV) expanded 124% YoY to \$6.238B.
- Liquidity strengthened to \$9.2B in cash, equivalents, and short-term US Treasuries with zero debt and a \$500M undrawn revolver.
- Contribution margin improved to 74% in Q2 2026 from 64% in the prior year period, reflecting operating leverage.

Management outlook

CEO Alex Karp stated, 'Demand for AI sovereignty has now been unleashed... The sovereign AI revolution makes us very optimistic about the future.' Management expects continued double-digit revenue growth driven by US commercial adoption and AI platform integration, maintaining GAAP profitability and positive cash flows throughout 2026. Q3 2026 revenue is guided to \$2.160-\$2.164B, with adjusted operating income guided to \$1.292-\$1.296B. Full-year adjusted free cash flow is guided to \$4.5-\$4.7B. Focus on expanding platform access to the broadest possible customer set. US customers expected to drive significant revenue growth. Government contracts remain a meaningful revenue source, particularly during economic uncertainty. Continued investment in personnel for R&D, sales, and cloud hosting. No formal numerical guidance provided for future periods. Intends to capture an even greater share of U.S. federal government spending on software systems. Believes the speed of platform deployment significantly expands the range of potential long-term partners. Anticipates that industry operating systems, cloud partnerships, and account expansion strategies will continue to drive growth across both public and private sectors. Expects to continue making significant investments in R&D to broaden platform capabilities, strengthen existing systems, and innovate, particularly around edge computing and AI.

Accounting flags

- No material changes to critical accounting policies compared to the FY2025 10-K.
- Revenue recognized ratably over contract terms (typically 1-5 years), despite termination for convenience clauses.
- Stock-based compensation expense increased 66% YoY to \$265M in Q2, heavily impacting GAAP results but excluded from non-GAAP metrics.
- Non-GAAP measures (contribution margin, adjusted operating income, adjusted FCF, adjusted EBITDA) are used for performance evaluation, with defined reconciliations to GAAP.
- Revenue recognized ratably over contract terms with multiple performance obligations (licenses + O&M combined into single obligation)
- SBC excluded from key non-GAAP metrics

Key figures

KEY FIGURES	TTM TO 2026-06-30	FY2025	
Revenue	\$6.16B	\$4.48B	+56.2% y/y
Gross margin	84.8%		
Operating income	\$2.63B	\$1.41B	42.8% margin
Net income	\$3.02B	\$1.62B	
Diluted EPS	\$1.17	\$0.63	161.3x trailing P/E
Operating cash flow	\$3.40B	\$2.13B	+85.0% y/y
Capital spending	\$42.0M	\$33.9M	0.7% of revenue
Cash and short-term investments	\$9.41B		
Market capitalisation	\$453.55B		

Figures from the filings' XBRL; definitions in the method section. Flows are trailing twelve months to 2026-06-30 (fiscal year 2025 plus year to date less the same period a year earlier, from the 10-Q filed 2026-08-04). No matching year-to-date fact, so these stay on fiscal-year figures: buybacks. Balance-sheet items are as of 2026-06-30 from the quarterly report. Debt could not be established from presentation rows; net debt and DCF require a verified debt balance. Interest tax shield uses the 21.0% statutory rate from the filing's rate reconciliation. No interest expense fact; FCFF is not computed. OCF less capex is the only cash-flow figure. WACC anchor 14

The counter-case

The stock's high valuation multiples are justified by the structural shift toward sovereign AI and data integration, where Palantir's proprietary Ontology provides a durable moat against internal IT builds and large enterprise competitors. Furthermore, the 84.8% gross margin and expanding contribution margin prove the platform scales efficiently, warranting a persistent premium. The sales model relies on costly, non-converting pilot deployments and bootcamps, creating a high cash-burn sales cycle. If growth normalizes sharply toward the 30% band as the base expands, combined with 13.6% SBC dilution, the current valuation compresses toward the bear case. However, the computed bear target still offers +8.8% upside, limiting traditional short asymmetry unless the market permanently re-rates software multiples lower.

Valuation

DCF is infeasible because the fact sheet notes no verified debt balance and no interest expense, preventing FCFF computation. An earnings multiple is appropriate as the company has positive, rapidly growing GAAP EPS (\$1.17 TTM) and sustainable profitability driven by AIP adoption and operating leverage.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear (P/E)	135.0x forward EPS \$1.52 (reported diluted, growth +30.0%)	\$205.33	+8.8%
Base (P/E)	165.0x forward EPS \$1.52 (reported diluted, growth +30.0%)	\$250.96	+33.0%
Bull (P/E)	195.0x forward EPS \$1.52 (reported diluted, growth +30.0%)	\$296.59	+57.1%

- Anchors from the company's own history: base-case growth band +32.6% to +85.0% a year; own trailing P/E 190.78-398.05x (median 282.14x) at the three of the last five fiscal year ends with positive earnings.
- Probability-weighted value \$255.52 (+35.4% vs price) at 20%/50%/30% weights.

Bear case assumes revenue growth normalizes to the lower end of historical bands (~30% YoY) as the base expands, with operating leverage flattening and the market applying a compressed 135x multiple due to SBC dilution concerns. Base case assumes continued double-digit growth (~30% EPS growth to \$1.52) driven by AIP commercial adoption and government spending capture, justifying a 165x multiple as the discount for valuation skepticism narrows. Bull case assumes AI demand acceleration sustains >40% revenue growth, contribution margins expand further, and multiple re-rates to 195x as historical valuation ranges normalize.

No listed peer was judged comparable. The feasibility packet states 'No frozen peer tree available for this quarter; do not substitute vendor industry peers.' Consequently, peer multiples and financial profiles are unavailable for comparative analysis. Valuation is grounded in the company's own 5-year P/E range (190.78x-398.05x) and current forward guidance.

What would change the view

Key debates

- Revenue growth sustainability as the base expands: Current 56% growth relies on a small base and rapid AIP bootcamp adoption; a slowdown would compress multiples and erode the premium. (TTM revenue growth 56%; FY2026 guidance implies ~32% growth from TTM revenue of \$6.16B to \$8.15B.)
- Share-based compensation (SBC) dilution: SBC is \$835.5M (13.6% of TTM revenue), heavily diluting GAAP EPS and warranting a valuation discount relative to non-GAAP metrics. (SBC \$684.0M (FY25), \$835.5M (TTM); diluted shares grew 4.7% to 2.565B.)
- Customer concentration and contract termination risk: Loss of a top government or commercial client could significantly impact revenue and growth given termination-for-convenience clauses. (Top 3 customers accounted for 16% of 2025 revenue; contracts contain termination provisions.)

Sensitivities the company discloses

- Equity security prices: Fluctuations in issuer outcomes and global market conditions gives Fair value changes and potential impairment or downward adjustment in holdings
- Interest rates: Changes in interest rates gives No material risk anticipated due to short-term nature of instruments
- Foreign currency exchange rates: Fluctuations in JPY, EUR, and GBP against the USD gives Potential unfavorable impact on non-USD denominated revenues and expenses
- Inflation: Significant inflationary pressures on costs gives May not be fully offset through price increases, potentially harming business and financial condition

Catalysts

- Q3 2026 earnings release confirming trajectory to raised FY2026 guidance.
- Further margin expansion as AIP bootcamps convert to long-term contracts.
- Expansion of US commercial remaining deal value beyond the current \$6.238B.
- New strategic cloud partnerships or government contract awards.
- Potential inclusion in major equity indices driving passive inflows.

Invalidation

- FY2026 revenue guidance revised below \$8.0B.
- US commercial revenue growth decelerates below 80% YoY.
- Gross margin falls below 80% due to cloud hosting or subcontractor cost inflation.
- TRDV growth stalls or reverses as new contract values fall below \$3B per quarter.
- Regulatory action under the EU AI Act or US data privacy laws restricts platform deployment.

Risks

- High customer concentration: top three customers accounted for 16% of 2025 revenue.
- Contracts contain termination-for-convenience clauses with no automatic renewals.
- Significant share-based compensation dilution: \$835.5M in TTM (13.57% of revenue).
- Long, unpredictable sales cycles with high upfront acquisition costs and no guarantee of pilot conversion.
- Potential inability to offset inflationary pressures on third-party cloud and field-service costs.
- Concentrated founder voting power may limit governance flexibility.

Short side

Borrow availability and squeeze risk are not disclosed in the provided material, making short mechanics unquantifiable. The unbounded loss risk is significant given the stock's momentum and premium valuation. The current model shows even the bear case yields +8.8% upside, suggesting the downside risk is currently asymmetric to the upside. Any short position would require careful timing around guidance misses or multiple compression.

Open questions

What is the actual conversion rate from AIP bootcamps and Developer Tier pilots to long-term, revenue-generating contracts? (missing fact)

Monitor quarterly TRDV and customer count trends to infer conversion velocity. Watch: Any quarterly report showing TRDV growth decelerating while customer count rises.

How do projected 2026 GAAP EPS and FCF margins hold up against the raised guidance of \$8.15B revenue and \$4.5B adjusted FCF? (forecast uncertainty)

Model sensitivity to operating leverage; compare non-GAAP adjusted metrics to GAAP delivery. Watch: Q3 2026 earnings release showing adjusted operating margin deviation from the ~59% implied by guidance.

Limitations

The computed bear-case target (\$205.33) still represents an +8.8% upside to the current price, which is atypical for a base-case long thesis; this acknowledges that the bear multiple or growth assumption may be too mild, or the market has already priced in severe downside. The base multiple of 165.0x also sits outside the company's own five-year P/E range (190.78x-398.05x), necessitating reliance on mean reversion assumptions that may not materialize if the market permanently re-rates software multiples lower. DCF is infeasible due to unverified debt balances and missing interest expense data. Software checks raised during valuation: the base P/E 165.0x sits outside the company's own five-year range 190.78-398.05x; the stated reason: The base multiple of 165x is below the company's own 5-year trailing P/E range (190.78x-398.05x) because the current 161.32x market price reflects a discount for high share-based compensation dilution and valuation skepticism. This discount is expected to narrow as GAAP earnings scale with the raise; the bear case still values the stock +9% above the price; a genuinely adverse scenario normally produces a loss at the entry price. Either explain why every scenario clears the price, or acknowledge in valuation_limitations that the bear case may be too mild. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: bear case not adverse at price; exposure quote unverified:customer concentration; exposure quote unverified:regulation; guidance quote unverified:6; multiple outside anchors.

Sources

10-K for the fiscal year ended 2025-12-31, filed 2026-02-17 (accession 0001321655-26-000011).

10-Q for the quarter ended 2026-06-30, filed 2026-08-04 (accession 0001321655-26-000041).

8-K for the earnings release dated 2026-08-03, filed 2026-08-03 (accession 0001321655-26-000039).

- Price: historical close of \$188.75 on 2026-10-02.
- 8 cited claims and 10 recorded calculations; every figure in the key-figures table is bound to a tagged XBRL fact, and every calculation reproduces independently.
- Street consensus from the market-data vendor on the same date, shown for calibration only.

Model: Qwen3.6-35B-A3B-NVFP4 · run discovery-20260911 · job 444 · memo SHA-256 744bcdc86e943855... · full memo and audit attached as JSON.

This note was written by a model from a single annual filing and a closing price. It is a starting point for human research, not a recommendation; nothing here has been investment-qualified.