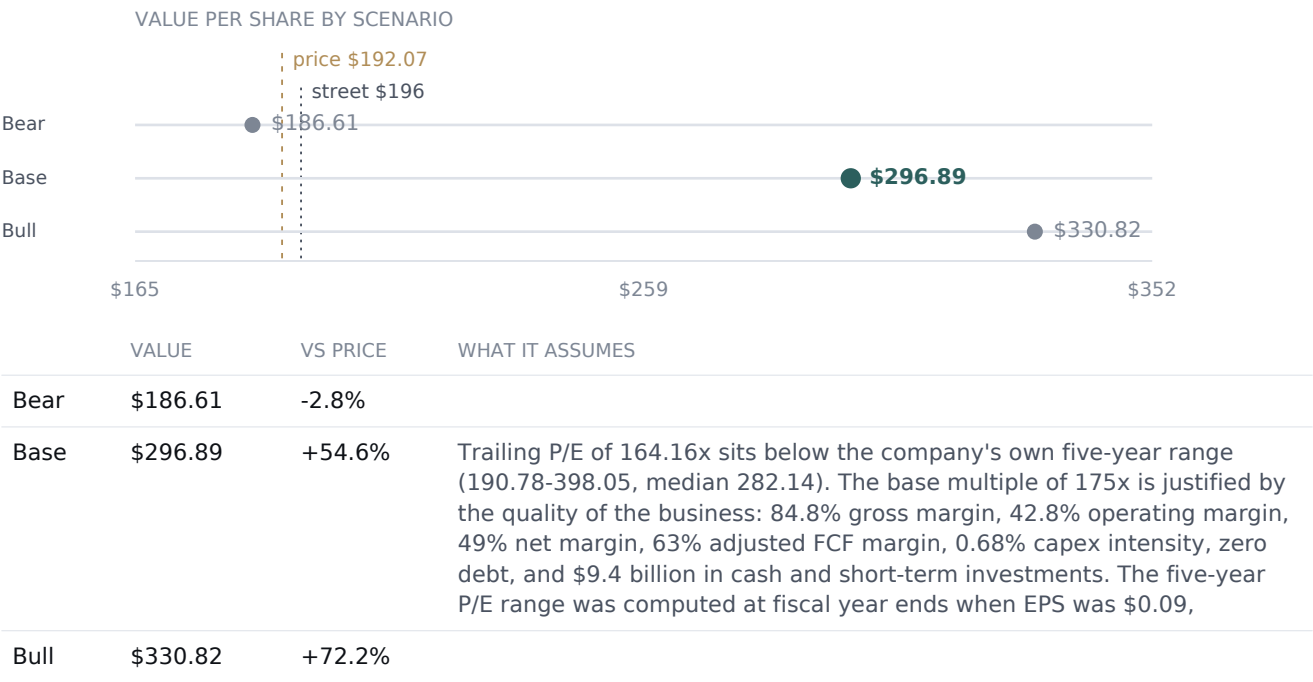


EQUITY RESEARCH / PLTR

Palantir Technologies Inc.

LONG CANDIDATE · historical study through 2026-10-06 · horizon 540 days · EARNINGS MULTIPLE

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$192.07	\$296.89	+54.6%	\$277.80	\$461.52B	164.2x



STREET CHECK

Street target **\$196** (+1.8% 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 **1.52x** the Street target: clearly away from the Street.

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

Thesis

Palantir is a high-quality software platform business with 84.8% TTM gross margin, 42.8% operating margin, 49% net margin, zero debt, and \$9.4 billion in cash and short-term investments, generating \$3.36 billion in TTM operating cash flow less capex. The base case values the stock at \$296.89 versus the \$192.07 price, a 54.6% upside, by applying a 175x P/E to forward diluted EPS of \$1.70 (45% growth from the \$1.17 TTM EPS). The market's trailing P/E of 164.16x sits below the company's own five-year P/E range minimum of 190.78x, suggesting the price embeds a growth-deceleration narrative that is more pessimistic than the contracted backlog, the 89% YTD revenue growth, the 155% Rule-of-40 score, and the raised FY2026 guidance of \$8.150-\$8.158 billion revenue and \$4.5-\$4.7 billion adjusted free cash flow support. The bear case at \$186.61 (110x on \$1.70 EPS) is only 2.8% below the price, so the downside is modest; the genuine risk is that growth decelerates sharply, SBC dilution at 13.57% of revenue erodes per-share earnings, and the 1.34% effective tax rate normalizes toward the 21% statutory rate, compressing the multiple.

What the market may be missing

The market prices PLTR at 164.16x trailing P/E, below the company's own five-year P/E range minimum of 190.78x. This compression likely reflects a narrative of growth deceleration from the 89% YTD rate, SBC dilution at 13.57% of revenue, and the unsustainable 1.34% effective tax rate. However, the evidence for the base case is stronger than the narrative suggests: YTD revenue growth is 89.03%, Q2 growth was 93% YoY, commercial grew 110% in Q2, US commercial grew 149% YoY, the top 20 customers averaged \$124 million TTM revenue (up 67% from \$75 million), total remaining deal value is \$6.8 billion commercial plus \$4.4 billion government, the Rule-of-40 score is 155%, and management raised FY2026 guidance. The market appears to be pricing in a sharp deceleration that the contracted backlog and execution record do not support.

Why the opportunity exists

A narrative overshoot. The market prices PLTR at 164.16x trailing P/E, below the company's own five-year P/E range minimum of 190.78x. This compression reflects a narrative that growth will decelerate sharply from the 89% YTD rate, SBC dilution will erode per-share earnings, and the tax benefit will fade. However, the evidence for the base case is stronger than the narrative suggests: YTD growth is 89.03%, Q2 growth was 93% YoY, commercial grew 110% in Q2, US commercial grew 149% YoY, the top 20 customers averaged \$124 million TTM revenue (up 67%), total remaining deal value is \$11.2 billion (\$6.8 billion commercial + \$4.4 billion government), the Rule-of-40 score is 155%, and management raised FY2026 guidance. The market appears to be pricing in a deceleration narrative that the contracted backlog, execution record, and raised guidance do not support. The base multiple of 175x is actually conservative relative to the company's own five-year range, suggesting the market's pessimism is disproportionate. Evidence: Trailing P/E of 164.16x vs. own five-year P/E range minimum of 190.78x; YTD revenue growth of 89.03%; Q2 revenue growth of 93% YoY; commercial segment grew 110% in Q2; US commercial grew 149% YoY; top 20 customers averaged \$124 million TTM revenue, up 67% from \$75 million; total remaining deal value \$6.8 billion commercial + \$4.4 billion government; Rule-of-40 score of 155%; raised FY2026 guidance of \$8.150-\$8.158 billion revenue and \$4.5-\$4.7 billion adjusted free cash flow.

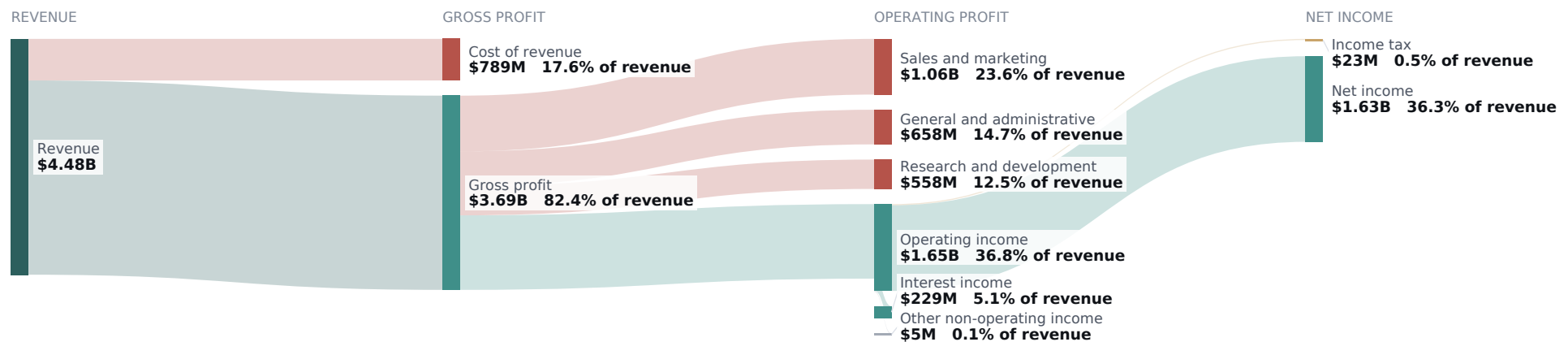
Since our last note

Thesis intact against our note of 2026-10-02 (investigate long). The shares have moved +1.8% since. Management raised FY2026 guidance to \$8.150-\$8.158 billion revenue, \$4.889-\$4.897 billion adjusted income from operations, and \$4.5-\$4.7 billion adjusted free cash flow. Q2 2026 delivered 93% YoY revenue growth, 62% adjusted operating margin, and \$1.220 billion adjusted free cash flow (63% margin), consistent with the raised guidance. No guidance revisions occurred between the prior memo (2026-10-02) and this analysis (2026-10-07). The same filing is used, and no delivery-versus-guidance discrepancies emerged. Management credibility is intact: they raised guidance and delivered in line, and the Q3 guidance of \$2.160-\$2.164 billion revenue and \$1.292-\$1.296 billion adjusted income from operations is consistent with the trajectory.

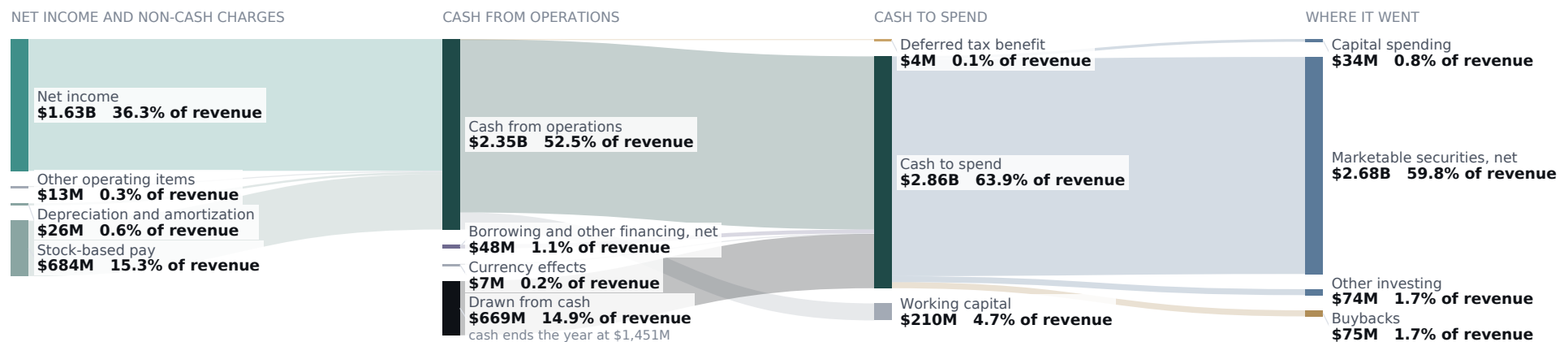
Follow the money: fiscal 2025

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 builds four software platforms (Gotham, Foundry, Apollo, AIP) that empower organizations to integrate data, decisions, and operations at scale, serving government and commercial customers with a direct sales model and cloud partnerships.

What it sells

Four principal software platforms: (1) Palantir Foundry - foundational data operations platform providing data management, logic authoring, Ontology-based systematic mapping, analytics, and workflow development; (2) Palantir AIP - generative AI platform providing secure connectivity to third-party LLMs, a development toolchain for AI-powered agents and automations, AI-enabled end-user applications, and an evaluations framework for governing AI workflows; (3) Palantir Apollo - continuous delivery platform enabling orchestration of upgrades, security updates, and platform configurations across any environment (cloud, on-premises, rugged); (4) Palantir Gotham - integrates with other platforms and defense offerings to power missions across allied defense and intelligence operations, integrating data from sensors in near real-time. The Palantir Ontology serves as the heart of the platforms, mapping data to meaningful context and integrating data, logic, and actions into a decision-centric architecture. Customers may bundle platforms as a single ecosystem. The company is not in the business of collecting, mining, or selling data; it builds software enabling customers to integrate their own data. Four principal software platforms: Gotham (defense/intelligence mission operations), Foundry (data operations, Ontology, analytics, workflow), Apollo (continuous delivery/infrastructure orchestration, cloud-agnostic), and AIP (generative AI platform connecting LLMs to customer data and operations). Revenue comes from Palantir Cloud subscriptions (hosted environment + O&M), On-Premises Software term licenses (customer infrastructure + O&M), and professional services (on-demand support, training, ontology/data modeling). Revenue is recognized ratably over the contract term. Contract terms are generally 1-5 years, with some shorter-term contracts. Many contracts contain termination-for-convenience provisions. Four principal software platforms: Gotham (defense/intelligence mission integration), Foundry (foundational data operations platform with Ontology, analytics, and workflow development), Apollo (continuous delivery platform for cloud-agnostic orchestration of upgrades and infrastructure), and AIP (generative AI platform providing secure connectivity to third-party LLMs, AI-powered agents, automations, and evaluations framework). Revenue comes from Palantir Cloud subscriptions (hosted environment with stand-ready O&M), On-Premises Software (term licenses with O&M as a single performance obligation), and professional services (on-demand user support, configuration, training, ontology and data modeling). Contract terms generally one to five years; revenue recognized ratably over the contract term. Many contracts contain termination for convenience provisions.

Customers and channels

954 customers as of December 31, 2025. Serves government and commercial institutions globally. Channels: (1) Direct account-based sales force; (2) Channel sales and cloud partnerships with leading public, private, and hybrid cloud providers; (3) Joint ventures and strategic alliances (e.g., Fujitsu Limited partnership through Palantir Technologies Japan KK); (4) Industry operating system partnerships in airline, space, shipbuilding, insurance, healthcare, telecommunications, automotive, security and risk management, and government; (5) Developer Tier offering providing limited access to Foundry and AIP in the US and select countries; (6) AIP bootcamps delivering workflows on actual customer data in days. Customer acquisition targets large-scale, hard-to-execute opportunities at large government and commercial institutions. Sales cycle typically 6-9 months, can extend to a year or more. Contract terms generally 1-5 years. Top 20 customers averaged \$93.9M revenue in trailing twelve months ended Dec 31, 2025 (up from \$64.6M in 2024). Top three customers accounted for 16% of 2025 revenue and 17% of 2024 revenue. 74% of revenue from US customers, 26% from abroad. 954 customers as of Dec 31, 2025 (vs 711 in 2024), spanning commercial sectors and government agencies globally. Government customers include U.S. federal agencies (each division/sub-agency treated as a separate customer) and allied-country governments. Commercial customers span various industries. Top 20 customers averaged \$93.9 million revenue in trailing 12 months ended Dec 31, 2025, up 45% from \$64.6 million in the prior period. Customer acquisition involves pilots and bootcamps conducted at Palantir's own expense without guaranteed returns. Customers are managed at the account level, not by industry or sector. Dollar-weighted average contract duration for contracts closed in 2025 is expected to generate revenue for an additional four years. 1,049 customers as of the trailing twelve months ended June 30, 2026 (up from 849 in the prior period). 52% of YTD revenue from government customers, 48% from commercial. 80% of YTD revenue from U.S. customers, 20% from non-U.S. Top 20 customers averaged \$124 million in trailing twelve-month revenue, up 67% from \$75 million in the prior period. Customers managed at the account level, not by industry or sector. Sales cycle often lasts six to nine months but can extend to a year or more. Pilots and bootcamps conducted at Palantir's own expense without guarantee of future returns. For large government agencies, each division/unit/subsidiary agency that contracts separately is treated as a separate customer.

Unit economics and costs

Sales cycle typically 6-9 months, can extend to a year or more. Initial pilot deployments (including bootcamps) offered at no or low cost, with no guarantee of conversion to revenue-generating contracts. Contract terms generally 1-5 years; customers have no obligation to renew, upgrade, or expand. Many contracts permit termination for convenience with varying notice periods. 4,429 full-time employees as of Dec 31, 2025, 28% outside the US. Company anticipates operating expenses will continue to increase. Seasonality: many contracts executed in Q3 and Q4 due to customer fiscal year ends and procurement cycles. No specific gross margin, cost of revenue, or per-customer unit economics figures are disclosed in the excerpt. Gross margin 82% in FY2025 (84% excluding SBC), up from 80% (83% ex-SBC) in FY2024. Contribution margin 66% in FY2025 vs 60% in FY2024. Adjusted operating margin 50% in FY2025 vs 39% in FY2024. Cost of revenue was \$789.2 million (18% of revenue), up 39% YoY driven by \$94.6 million cloud hosting, \$38.0 million subcontractor, \$29.1 million field-service, \$26.9 million payroll. Sales & marketing \$1,056.9 million (23% of revenue), up 19%. R&D \$557.7 million (12%), up 10%. G&A \$657.7 million (15%), up 11%. Total SBC \$684.0 million (down 1% YoY). Contribution margin excludes SBC and allocates costs pro rata by headcount/time per account. Direct costs (cloud hosting) allocated directly to accounts. Q2 2026 gross margin 85% (86% excluding SBC); YTD 86% (87% excluding SBC). Contribution margin 74% for both Q2 and YTD. Adjusted operating margin 62% in Q2, 61% YTD. GAAP operating margin 47% in Q2, 47% YTD. Cost of revenue was 15% of revenue in Q2 (down from 19% prior year), driven primarily by \$89 million increase in third-party cloud hosting services. Sales and marketing was 18% of revenue (down from 24%). R&D was 10% (down from 14%). G&A was 10% (down from 16%). Total SBC expense was \$265 million in Q2 (66% increase YoY), driven by new grants including RSUs, P-RSUs, and SARs. Adjusted free cash flow margin 63% in Q2. Cash from operations \$1.216 billion in Q2. Capex (purchases of property and equipment) was \$14.554 million in Q2.

Segments

- **Government** - Customers in the government segment generated 54% of 2025 revenue. Includes U.S. federal government, allied defense agencies, intelligence community, disaster relief organizations. Company intends to capture greater share of U.S. federal government spending on software systems. U.S. government and non-U.S. government agencies. FY2025 revenue \$2,402.3 million (54% of total), up 53% YoY. U.S. government revenue \$1.9 billion. Total remaining deal value \$4.4 billion, up 90% YoY. IDIQ contracts of \$12.3 billion excluded from TRDV.
- **Commercial** - Customers in the commercial segment generated 46% of 2025 revenue. All commercial customers use Foundry. Industries include utility, automotive manufacturing, oil and gas, pharmaceutical, supply-chain, public health, telecommunications, insurance, healthcare, airline, space, shipbuilding, security and risk management. Customers working in non-government industries. FY2025 revenue \$2,073.2 million (46% of total), up 60% YoY. U.S. commercial revenue \$1.5 billion, up 109% YoY. Contribution margin evaluated per segment. Total remaining deal value \$6.8 billion, up 117% YoY.

Revenue drivers

- Expansion of existing customer relationships (horizontal scaling to additional divisions/functions, vertical scaling to additional users/user groups)

- New customer acquisition targeting large-scale, complex, hard-to-execute opportunities
- AIP adoption enabling customers to derive value from generative AI and LLMs combined with existing platforms
- U.S. federal government software spending (company intends to capture greater share)
- Cloud partnerships with leading public, private, and hybrid cloud providers extending distribution
- Industry operating system partnerships (airline, space, shipbuilding, insurance, healthcare, telecom, automotive, security, government)
- AIP bootcamps and Developer Tier expanding access to platforms
- Joint ventures and strategic alliances (e.g., Fujitsu partnership)

Competitive position

Fundamentally competes with customers' internal software development efforts (patchwork of custom solutions, outside consultants, IT services, packaged enterprise and open-source software). Also competes with large enterprise software companies, government contractors, system integrators, and emerging/established companies. Principal competitive factors: platform capabilities and product functionality, data security and privacy, ease and speed of adoption/deployment, product innovation, pricing and cost structures, customer experience, brand awareness. Company believes it competes favorably on these factors. Competitors have greater name recognition, longer operating histories, larger customer bases, larger sales/marketing budgets, broader partner relationships, wider geographic presence, lower labor/R&D costs, larger IP portfolios, and substantially greater financial resources. Barriers to entry for competition include high installation costs, high failure risks, complexity of data environments, and long sales cycles. Palantir positions itself as a data-integration and AI operating system for institutions, with the Ontology as a core differentiator enabling systematic mapping of data to context and decision-making. AIP provides secure connectivity to third-party LLMs with governance frameworks. Apollo is cloud-agnostic, enabling deployment in virtually any environment. The company emphasizes long-term partnerships, pilots/bootcamps at its own expense, and account-level management. It aims to expand access to the broadest possible customer set. No specific competitor names or market-share data are disclosed in the excerpt. Palantir positions itself as uniquely able to connect LLMs and AI with customer data and operations within legal, ethical, and security constraints. The Ontology is described as the heart of the platforms, integrating data, logic, and actions into a foundational representation of the organization. Foundry is described as becoming a central operating system for individual institutions and entire industries. Apollo is a cloud-agnostic single control layer. The company faces intense competition in its markets. Sales efforts involve considerable time and expense; the sales cycle is long and unpredictable. The company conducts pilots and bootcamps at its own expense to access opportunities others may pass over. Exclusive arrangements or unique terms with customers or partners may result in significant risks.

Industry direction

Customers increasingly adopt software ready in days over internal development efforts taking months or years, driven by recent crises and systemic shocks including global conflicts. Cloud migration is the hosting environment of choice for many customers. Generative AI and LLM adoption is a major growth vector, with AIP enabling responsible AI-advantage across enterprise and government. Industry operating systems are becoming central for entire sectors. The market for data platforms and AI-powered decision-making is expanding. Companies are increasingly seeking to deploy software, models, and critical assets at the edge, including integrations with complex hardware and operations in disconnected environments. Management sees every institution facing data-integration challenges its platforms address. AIP (generative AI) is positioned as enabling customers to derive value from LLM breakthroughs within legal, ethical, and security constraints. The Ontology is described as becoming a central operating system for institutions and entire industries. Apollo enables continuous delivery in any environment. Management anticipates accelerating reach among a broad set of customers in both commercial and government sectors. Macro risks include geopolitical tensions, interest rate fluctuations, monetary policy changes, currency fluctuations, and tariffs. Management describes a 'sovereign AI revolution' and states 'Demand for AI sovereignty has now been unleashed.' The company believes every institution faces challenges its platforms were designed to address. AIP, deployed in 2023, enables customers to derive value from generative AI breakthroughs. The speed of platform deployment has expanded the range of potential customers. The company anticipates accelerating reach among an increasingly broad set of customers in both commercial and government sectors. Macro risks include geopolitical tensions, fluctuating interest rates, monetary policy changes, supply chain disruptions, foreign currency fluctuations, and potential tariffs. The company does not expect ongoing geopolitical conflicts to have a material impact on business or results of operations.

Recent developments

- Q2 2026 revenue of \$1.935 billion, 93% YoY growth; YTD \$3.568 billion, 89% YoY growth
- Commercial segment grew 110% in Q2; U.S. commercial grew 149% YoY and 28% QoQ to \$764 million
- Government segment grew 79% in Q2; U.S. government grew 90% YoY and 18% QoQ to \$809 million
- Rule of 40 score climbed to 155% (93% growth + 62% adjusted operating margin)
- Closed 220 deals of at least \$1 million, 98 of at least \$5 million, 73 of at least \$10 million in Q2
- Closed TCV of \$3.373 billion in Q2, up 49% YoY; record U.S. commercial TCV of \$2.132 billion, up 153% YoY
- U.S. commercial RDV of \$6.238 billion, up 124% YoY and 27% QoQ
- GAAP net income of \$1.062 billion (55% margin); adjusted net income \$1.047 billion; adjusted EPS \$0.41

Management outlook

For Q3 2026, management expects revenue of \$2.160-\$2.164 billion and adjusted income from operations of \$1.292-\$1.296 billion. For full year 2026, management raised revenue guidance to \$8.150-\$8.158 billion, U.S. commercial revenue to in excess of \$3.424 billion (at least 134% growth), adjusted income from operations to \$4.889-\$4.897 billion, and adjusted free cash flow to \$4.5-\$4.7 billion. Management continues to expect GAAP operating income and net income in each quarter of the year. CEO Karp stated: 'The sovereign AI revolution makes us very optimistic about the future.' Management expects U.S. customers to continue to be a source of significant revenue growth. The company anticipates accelerating reach among an increasingly broad set of customers in both commercial and government sectors. Management expects U.S. customers to continue as a significant source of revenue growth. Government customers remain a meaningful revenue source, particularly during economic uncertainty, but are subject to budget and spending uncertainties. Management anticipates accelerating reach among a broad set of customers in both commercial and government sectors. Short-term focus remains on making platforms available to increasingly broad market segments, while also identifying component parts with standalone commercial potential. Management expects cost of revenue, sales & marketing, R&D, and G&A to increase in absolute dollars as revenue grows. No specific numeric guidance for FY2026 is provided in the excerpt. Management intends to capture an even greater share of U.S. federal government spending on software systems. Anticipates continued expansion of customer base in both commercial and government sectors through sales and marketing strategies, cloud partnerships, joint ventures, and industry operating systems. Plans to continue investing in research and development to broaden platform capabilities, strengthen existing platforms, and innovate. Focus on deploying software, models, and critical assets at the edge. Anticipates that AIP bootcamps, Developer Tier, and direct sales force will enable continued customer expansion. No specific numeric guidance for future periods is provided in the excerpt.

Accounting flags

- Non-GAAP measures used: contribution margin, gross profit/gross margin excluding stock-based compensation, adjusted income from operations, adjusted free cash flow, adjusted EBITDA, adjusted net income, adjusted EPS; definitions may differ from other companies
- No material changes to critical accounting policies and estimates compared to the FY2025 Annual Report
- Stock-based compensation excluded from non-GAAP measures as a noncash expense; employer payroll taxes related to SBC also excluded as difficult to predict
- Revenue recognized ratably over contract term; practical expedient used to not disclose RPO for contracts with original terms of twelve months or less
- Other income (expense) of \$91.8 million in Q2 driven by realized gain and upward adjustments on privately-held equity securities and net unrealized gains on publicly-traded equity securities
- Privately-held equity securities valued at \$167 million subject to impairment or downward adjustment due to lack of liquidity and market data

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	164.2x 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	\$461.52B		

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 base multiple of 175x sits below the company's own five-year P/E range minimum of 190.78x, which the warning flags. The five-year range was distorted by low EPS bases in 2023 (\$0.09) and 2024 (\$0.19), but the current EPS of \$1.17 reflects true earning power, and the 175x base multiple is actually conservative relative to the company's own history. The genuine risk is that the 89% YTD growth cannot persist, SBC dilution at 13.57% of revenue erodes per-share value, and the tax benefit fades. If growth falls to 20-25% and the tax rate normalizes, the multiple compresses toward the bear case, which is only 2.8% below the price. The modest bear downside means the risk-reward is asymmetric but not extreme. The bear case at \$186.61 (110x on \$1.70 EPS) assumes growth decelerates to 20%, SBC dilution at 13.57% of revenue accelerates (Q2 SBC was \$265 million, up 66% YoY), and the 1.34% effective tax rate normalizes toward the 21% statutory rate, reducing EPS by roughly 19 percentage points of pretax income. The top three customers account for 16% of revenue, and many contracts contain termination-for-convenience provisions. If a large government contract is lost or the top 20 customers stall, the multiple compresses. However, the bear case is only 2.8% below the current price, so the downside is modest and a short is not compelling on valuation alone.

Valuation

DCF is not feasible: the fact sheet cannot compute FCFE because no interest-expense fact exists, and no net-debt bridge can be established from presentation rows. The earnings multiple is feasible on positive, sustainable GAAP diluted EPS of \$1.17 TTM. The business generates positive earnings with 49% net margin, 42.8% operating margin, 84.8% gross margin, 0.68% capex intensity, and no debt, making a P/E the appropriate lens. The very low effective tax rate (1.34%) is a structural feature of NOL carryforwards from prior losses, not a non-recurring item, so reported diluted EPS is used without normalization.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear (P/E)	110.0x forward EPS \$1.70 (reported diluted, growth +45.0%)	\$186.61	-2.8%
Base (P/E)	175.0x forward EPS \$1.70 (reported diluted, growth +45.0%)	\$296.89	+54.6%
Bull (P/E)	195.0x forward EPS \$1.70 (reported diluted, growth +45.0%)	\$330.82	+72.2%

- 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 \$277.80 (+44.6% vs price) at 25%/50%/25% weights.

Bear case (\$186.61, 110x on \$1.70 EPS): Growth decelerates to 20%, SBC dilution at 13.57% of revenue accelerates, the 1.34% effective tax rate normalizes toward 21%, and the multiple compresses below the current price. This assumes the top 20 customers stall, government budgets tighten, and the tax benefit fades. Base case (\$296.89, 175x on \$1.70 EPS): Growth moderates to 45% from the 89% YTD rate, margins hold at the 62% adjusted operating margin guided for FY2026, the tax benefit persists, and the multiple expands modestly above the trailing 164x to reflect the quality metrics (84.8% gross margin, 42.8% operating margin, 49% net margin, zero debt, \$9.4 billion cash). Bull case (\$330.82, 195x on \$1.70 EPS): Growth stays above 60%, the sovereign AI adoption thesis drives further commercial expansion, margins expand toward the 62% adjusted operating margin, and the multiple reaches the lower end of the company's own five-year P/E range, reflecting the Rule-of-40 score of 155% and the \$11.2 billion TRDV.

No listed peer was judged comparable. No peer comparables are available: the peer tree is unavailable for this quarter. The company's trailing P/E of 164.16x, 84.8% gross margin, 42.8% operating margin, 49% net margin, 0.68% capex intensity, zero debt, and 89% YTD revenue growth cannot be benchmarked against peers. The five-year own P/E range of 190.78-398.05x was distorted by low EPS bases in 2023 (\$0.09) and 2024 (\$0.19); the current EPS of \$1.17 reflects true earning power. Without peer anchors, the multiple is justified solely against the company's own quality metrics and growth trajectory.

What would change the view

Key debates

- Revenue growth deceleration: The 89% YTD growth and 93% Q2 growth cannot persist indefinitely; the base case assumes 45% forward growth, but if growth falls to 20-25% the multiple compresses sharply and the bear case dominates. The top 20 customers averaged \$124 million in trailing twelve-month revenue, up 67% from \$75 million, showing concentration in a handful of accounts that could stall. (Fact sheet: revenue_growth_ytd 0.8903; Q2 2026 revenue \$1.935 billion, 93% YoY; top 20 customers averaged \$124 million TCV, up 67% from \$75 million prior period.)
- Share-based compensation dilution: SBC of \$835.5 million TTM equals 13.57% of revenue and drove a 2.24% increase in shares outstanding. If SBC remains at this level, per-share earnings are eroded even as total earnings grow, compressing the P/E. The 66% YoY increase in Q2 SBC (\$265 million) signals continued dilution pressure. (Fact sheet: sbc_to_revenue 0.1357, share_count_change 0.0224; Q2 SBC \$265 million, 66% increase YoY driven by new grants including RSUs, P-RSUs, and SARs.)
- Effective tax rate normalization: The 1.34% effective tax rate (vs 21% statutory) inflates net income and EPS. If NOL carryforwards are exhausted, the tax rate normalizes, reducing EPS by roughly 19 percentage points of pretax income and compressing the multiple. The rate reconciliation shows tax at statutory rate of \$348.0 million vs actual tax of \$22.7 million. (Fact sheet: effective_tax_rate 0.0134, tax_at_statutory_rate \$348.0 million, income_tax \$22.7 million, statutory_tax_rate 0.21.)

Catalysts

- Q3 2026 earnings confirming trajectory to raised FY2026 guidance of \$8.150-\$8.158 billion revenue and \$4.889-\$4.897 billion adjusted income from operations.
- US commercial remaining deal value expanding beyond the current \$6.238 billion as AIP bootcamps convert to long-term contracts.
- Further margin expansion as the 62% adjusted operating margin guided for FY2026 is realized in Q3 and Q4.
- New government contract awards or cloud partnerships expanding the \$12.3 billion IDIQ pipeline beyond the \$11.2 billion TRDV.
- Tax normalization timing: if NOL carryforwards persist longer than expected, EPS remains inflated and the multiple holds.

Invalidation

- FY2026 revenue guidance revised below \$8.0 billion, signaling growth deceleration faster than the 45% base-case assumption.
- US commercial revenue growth decelerates below 80% YoY in any quarter, undermining the 149% Q2 trajectory.
- Gross margin falls below 80% due to cloud hosting or subcontractor cost inflation, compressing the contribution margin from the current 74%.
- Total remaining deal value stalls or reverses as new quarterly TCV falls below \$3 billion, signaling pipeline exhaustion.

- Effective tax rate normalizes above 10% as NOL carryforwards are exhausted, reducing EPS by roughly 19 percentage points of pretax income.
- Top three customers (16% of revenue) terminate for convenience or fail to renew, materially reducing revenue and the multiple.

Risks

- Revenue growth may not be sustainable; the 89% YTD rate cannot persist indefinitely and has fluctuated historically.
- SBC dilution at 13.57% of revenue and a 2.24% increase in shares outstanding erodes per-share earnings even as total earnings grow.
- Customer concentration: top three customers account for 16% of revenue; many contracts permit termination for convenience.
- Government contracts are subject to budget and spending uncertainties; changes in contracting or fiscal policies could reduce the 54% government revenue share.
- The 1.34% effective tax rate is a structural feature of NOL carryforwards; if exhausted, EPS compresses toward the 21% statutory rate.
- Intense competition from internal development, large enterprise software companies, government contractors, and system integrators with greater resources.
- Sales cycle of 6-9 months (up to a year+) and pilots/bootcamps at Palantir's own expense create revenue volatility.
- Multi-class stock structure and Founder Voting Trust concentrate voting power, limiting shareholder influence.

Short side

A short is not compelling. The bear case at \$186.61 is only 2.8% below the \$192.07 price, offering minimal downside. Borrow availability for a \$461 billion market-cap stock is generally ample and not tight. Squeeze risk is low given the large float (2.4 billion shares outstanding) and the absence of a concentrated short narrative. Timing is uncertain: the growth deceleration that would compress the multiple could take several quarters to materialize. The unbounded loss inherent in a short is not justified by a 2.8% bear-case downside. The tax normalization and SBC dilution risks are real but gradual, and the contracted backlog (\$11.2 billion TRDV) provides revenue visibility that limits the downside. A short would require a specific catalyst such as a guidance cut or a top-customer loss, not merely multiple compression.

Open questions

When will NOL carryforwards be exhausted, normalizing the effective tax rate from 1.34% toward the 21% statutory rate? (forecast uncertainty)

The base case uses reported diluted EPS without normalization, assuming the tax benefit persists. If NOLs are exhausted within 2-3 years, EPS falls by roughly 19 percentage points of pretax income, compressing the multiple. The fact sheet shows tax at statutory rate of \$348.0 million vs. actual tax of \$22.7 million, confirming the gap. Watch: Effective tax rate rises above 10% in any quarterly filing.

Will SBC dilution at 13.57% of revenue continue to erode per-share earnings, or will the 2.24% share count increase moderate? (forecast uncertainty)

Q2 SBC was \$265 million, up 66% YoY, driven by new grants including RSUs, P-RSUs, and SARs. If SBC remains at this level, per-share earnings are eroded even as total earnings grow. The base case assumes 45% EPS growth, which already partially accounts for dilution. Watch: Quarterly SBC exceeds \$300 million or diluted share count increases more than 3% YoY.

Can the 89% YTD revenue growth sustain at 45% forward, or will it decelerate toward 20-25%? (forecast uncertainty)

The base case assumes 45% growth, within the company's own 3-year CAGR of 32.92% and 5-year CAGR of 32.58%, but below the 56.18% last-year and 89.03% YTD rates. The bear case assumes 20%. The top 20 customers averaged \$124 million TTM, up 67%, showing concentration that could stall. Watch: Quarterly revenue growth falls below 50% YoY.

Is there material debt not captured in the fact sheet's presentation rows? (missing fact)

The fact sheet notes 'No debt rows matched; this does not establish zero debt.' However, the Q2 2026 earnings release states 'No outstanding debt as of June 30, 2026' and a \$500 million undrawn revolving credit facility. The WACC anchor uses 100% equity weight. This is not a blocking gap for the earnings-multiple method. Watch: A future filing reveals material debt or a credit facility draw.

Limitations

The base multiple of 175x sits below the company's own five-year P/E range minimum of 190.78x, which the software flags. The multiple_rationale explains this: the five-year range was distorted by low EPS bases in 2023 (\$0.09) and 2024 (\$0.19), creating artificially high multiples; the current EPS of \$1.17 reflects true earning power, and 175x is conservative relative to the company's own history. No peer comparables are available (the peer tree is unavailable for this quarter), so the multiple is justified solely against the company's own quality metrics and growth trajectory. DCF is not feasible because no interest-expense fact exists and no net-debt bridge can be established from presentation rows. The 1.34% effective tax rate is treated as structural (NOL carryforwards) rather than normalized, which inflates EPS relative to a normalized tax rate. The bear case downside of 2.8% is modest, limiting the risk-reward asymmetry. The OCF-less-capex yield of 0.73% is extremely low relative to the market cap, reflecting the high multiple rather than a cash-flow deficiency. Software checks raised during valuation: the base P/E 175.0x sits outside the company's own five-year range 190.78-398.05x; the stated reason: The base multiple of 175x lies below the company's own five-year P/E range minimum of 190.78x. No peer comparables are available (the peer tree is unavailable for this quarter). The base multiple is justified against the trailing P/E of 164.16x, the 45% forecast EPS growth, the 49% net margin, zero . This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: exposure quote unverified:customer concentration; exposure quote unverified:rates; exposure quote unverified:regulation; 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 \$192.07 on 2026-10-06.
- 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: qwen3.8-flash-next-iq2_xs · run discovery-20260911 · job 552 · memo SHA-256 9d5a402b4c6a1611... · 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.