

PALANTIR TECHNOLOGIES (NYSE: PLTR)

Technology

Stefano Bregliano | Co-Head of Equity Research | sbregliano@vertigegroup.com

Initiating Coverage on PLTR at \$50.19 Target

OUTLOOK

We are initiating coverage on Palantir with a Market Outperform rating for the mid to long term and a price target of \$50.19. However, we believe that in the short term there may be an underperformance due to an overall overvalued tech sector. The company's focus on advanced data analytics and operational solutions across a variety of industries positions it well for future growth. As organizations increasingly depend on data-driven insights for decision-making, we expect Palantir to capture a larger market share, enabling it to outperform its peers as these dynamics play out.

Key Points

Expanding Horizons from Government to Commercial Success. Palantir Technologies initially focused on developing software for the U.S. intelligence community but has since expanded into the commercial sector, aiming to diversify its revenue streams. In 2023, Palantir reported total revenue of \$2.2 billion, with a near-even split between government (55%) and commercial (45%) clients, indicating a strategic shift towards the commercial market. Central to this evolution is Palantir's Artificial Intelligence Platform (AIP), which enhances its flagship Gotham and Foundry platforms. In late 2023, the company launched over 500 bootcamps to train participants on AIP, fostering client relationships and increasing platform awareness. As Palantir continues to innovate and balance its revenue sources, it aims to strengthen its position in the data analytics and AI markets, positioning itself for future growth.

Palantir's Strategic Advantage in the AI Landscape. Palantir Technologies is poised to benefit from the significant growth in artificial intelligence (AI) as businesses increasingly integrate AI into their operations. Its advanced Artificial Intelligence Platform (AIP) and tools like Gotham and Foundry provide robust data analytics capabilities that help organizations optimize decision-making and operational efficiency. As AI adoption accelerates, Palantir's commitment to innovation and cutting-edge technology positions it to capture a substantial share of the expanding AI market, reinforcing its leadership in data analytics and AI solutions.

Palantir's Path to Growth and Financial Stability. Palantir has improved operational efficiency by managing its cost of goods sold (COGS) alongside strong sales growth, optimizing production and procurement processes. This strategy has reduced COGS growth, enhancing profit margins and supporting its market expansion in data analytics. Despite past concerns about financial stability, Palantir's low debt-to-equity ratio and high returns on assets signal improved financial health. Its premium pricing for customized software solutions and disciplined cost management position the company for sustained growth and competitiveness, leading analysts to maintain an outperform rating.

Leveraging Government Partnerships for Defense Innovation and Growth. Palantir Technologies relies on its partnership with the U.S. government, generating over half of its revenue from government contracts, particularly through its Government Web Services (GWS) platform. This platform enhances decision-making for defense agencies by integrating advanced data analytics and operational tools. In fiscal year 2023, Palantir's government segment earned \$1.002 billion, highlighting strong demand for its technologies. The FedStart program fosters collaboration with defense startups, turning competitors into partners. Palantir distinguishes itself with extensive government business and technological expertise, positioning itself to capitalize on rising demand for sophisticated defense solutions amid geopolitical tensions, reinforcing its role in defense technology and data analytics.

Market Outperform Target Price \$50.19

Suitability High Risk/Growth

MARKET DATA

Current Price	\$43.69
52-Week Range	\$13.56-\$43.69
Market Cap	\$100.60B
Enterprise Value	\$109.00B
Current Net Debt	\$3.45B
EPS	\$0.17
Beta	2.72

KEY FINANCIAL METRICS

	2022A	2023A	2024E
Revenue	\$1,905	\$2,225	\$2,699
% Growth	23.61%	16.75%	17.61%
Net Income	(\$373.7)	\$209.8	\$793.0
% Growth	28.2%	156.1%	278.0%
EBITDA	(\$138.7)	\$153.3	\$927.0
% Growth	64.99%	181.7%	504.7%
FCF	\$192.0	\$731.0	\$878.0
% Change	(42.81%)	280.7%	20.1%

KEY MULTIPLES

VALUATION

P/E	257.00x
EV/Sales	15.47x
P/TBV	10.87x
P/CF	55.4x

LIQUIDITY

Current Ratio	5.55x
Cash Ratio	4.93x
Quick Ratio	5.55x

LEVERAGE

Debt/Assets	5.07%
Debt/Capital	6.19%
Debt/FFO	0.25x

EFFICIENCY

Total Asset Turnover	0.56x
Return on Equity	6.95%
Receivables Turnover	7.14%

Source(s): FactSet, Palantir Technologies Company Filings
 All figures in millions of \$USD except per share values.

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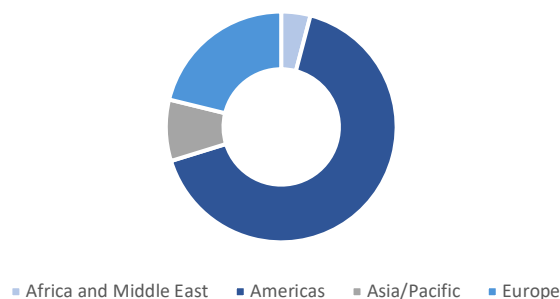
Company Overview

Palantir Technologies is a software and data analytics company that was founded in 2003 by Peter Thiel, Nathan Gettings, Joe Lonsdale, Stephen Cohen, and Alex Karp. Initially focusing on providing data analysis solutions to government agencies, Palantir has since expanded its services to various industries including finance, healthcare, and cybersecurity. The company is renowned for its platforms, particularly Palantir Gotham and Palantir Foundry. Palantir Gotham is tailored for government intelligence and defense purposes, emphasizing data integration, analysis, and visualization to aid decision-making and operational efficiency. Palantir Foundry, on the other hand, serves commercial enterprises, enabling them to integrate, manage, and analyze vast amounts of data to derive actionable insights and improve business outcomes.

Palantir derives a significant portion of its revenue from the Americas, followed by Europe, and then Asia, Africa, and the Middle East (Exhibit 1). This regional revenue distribution highlights Palantir's strong foothold in North and South America, where its data analytics and software solutions are extensively utilized across various industries and sectors. The company's presence in Europe underscores its strategic partnerships and client engagements across the continent, while its operations in Asia, Africa, and the Middle East demonstrate its global expansion efforts and commitment to providing data-driven solutions on a worldwide scale. Palantir's revenue distribution reflects its ability to cater to diverse regional needs and adapt its technologies to meet the unique challenges and opportunities presented across different continents.

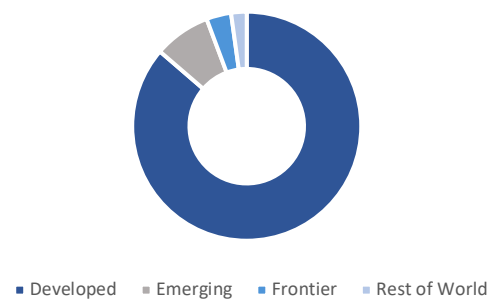
Palantir predominantly generates revenue from developed countries, reflecting its robust market presence and extensive adoption of its data analytics and software solutions in these regions (Exhibit 2). This emphasis underscores Palantir's strategic focus on established markets where there is a high demand for sophisticated data-driven insights and operational efficiencies. Conversely, while the company also operates in emerging countries across Asia, Africa, and the Middle East, revenue from these regions represents a smaller proportion compared to developed markets. Palantir's revenue distribution thus mirrors its strategy of prioritizing markets with mature infrastructure and significant technological adoption, while gradually expanding its footprint in emerging economies to capitalize on growing opportunities over time.

Exhibit 1: Palantir's Revenues Are Highly Concentrated In the Americas With Minimal Exposure to Asia/Pacific, Africa, and the Middle East



Source(s): FactSet, VIG Research

Exhibit 2: Palantir's Revenues Showing Even More Concentration in Developed Countries



Source(s): FactSet, VIG Research

Product Suite

Gotham - Gotham allows for the autonomous operation of sensors, ranging from drones to satellites, guided by AI-driven rules or manual inputs for human oversight. It excels in handling complex datasets crucial for national security, law enforcement, and financial analysis. Government entities use Gotham for counter-terrorism efforts, threat detection, and situational awareness by integrating diverse data sources like surveillance systems and intelligence reports to uncover patterns and potential threats. Law enforcement agencies rely on it for criminal investigations, predictive policing, and case management, leveraging its capabilities to analyze extensive datasets ranging from criminal records to surveillance footage.

In the corporate sector, Gotham aids in financial fraud detection, risk management, and regulatory compliance by integrating financial data sources and detecting anomalies. While Palantir offers other products like Foundry for broader enterprise data analytics and Apollo for healthcare and life sciences, Gotham stands out for its specialization in secure, real-time data analysis tailored specifically for government and defense sectors. Its robust features and security protocols ensure it meets the stringent requirements of handling sensitive and classified information effectively across its targeted consumer segments.

Palantir's Gotham platform is playing a pivotal role in supporting key U.S. government objectives in the Middle East, particularly in bolstering defense and intelligence capabilities. Shyam Sankar, Palantir's Chief Technology Officer, highlighted the platform's extensive use by U.S. allies like Israel and Ukraine, emphasizing its contributions to tactical command and control, visual intelligence, forensics, readiness, and production. This technological support underscores Palantir's commitment to enhancing operational effectiveness and security in challenging geopolitical environments. The company's involvement reflects its unique position as a trusted partner to governments worldwide, providing sophisticated AI-enabled solutions to address complex security challenges effectively.

Foundry - Palantir Foundry represents a versatile data integration and analytics platform designed to meet the needs of large enterprises across various industries. Foundry excels in enabling organizations to integrate and analyze diverse datasets efficiently, enhancing operational insights and decision-making capabilities. Unlike Gotham's focus on government and defense sectors, Foundry serves a broader consumer segment including finance, healthcare, manufacturing, and energy industries. It facilitates seamless data integration from disparate sources such as IoT devices, CRM systems, and legacy databases, empowering users to derive actionable insights and streamline operations. Foundry's user-friendly interface and powerful data visualization tools cater to business analysts, data scientists, and executives alike, promoting collaboration and data-driven innovation within organizations. By prioritizing scalability, security, and compliance with regulatory standards, Foundry supports organizations in optimizing processes, improving customer experiences, and driving competitive advantage through advanced analytics and operational intelligence. In summary, Foundry's flexibility and broad industry applicability make it a cornerstone platform for enterprises seeking comprehensive data solutions beyond specialized verticals.

Concordance Healthcare Solutions, a prominent distributor in the US healthcare sector, has integrated Palantir Foundry into its operations to enhance supply chain visibility and efficiency. By leveraging Foundry's capabilities, Concordance aims to establish a comprehensive ecosystem that provides real-time insights into product demand, order statuses, and inventory levels across their network of suppliers and manufacturers. This initiative enables Concordance to make more informed, data-driven decisions, ensuring optimal stock levels and timely product deliveries to critical points of care. Moreover, Foundry's robust access controls facilitate secure data exchange among trusted ecosystem partners, supporting Concordance in creating a proactive decision-making environment.

Apollo – Palantir Apollo facilitates Autonomous Deployment—a method that allows for efficient software development and deployment across varied environments. This platform enables teams to write, deploy, and manage software seamlessly, providing real-time feedback and performance reporting crucial for operational success. Apollo's impact spans multiple sectors, prominently aiding defense initiatives such as the modernization of combat systems for the U.S. Navy. By optimizing software delivery, Apollo supports enhanced collaboration among developers, DevOps teams, and security experts, thereby improving overall operational readiness and responsiveness. In addition to defense, Apollo's versatility extends to healthcare, finance, and logistics industries, where it meets the complex operational needs of organizations seeking scalable and adaptive software solutions. Palantir's commitment to innovation through Apollo underscores its leadership in delivering tailored technologies that address evolving demands across diverse sectors, solidifying its strategic position in the software solutions market.

The collaboration between Palantir Technologies Inc. and Lockheed Martin, focuses on leveraging Lockheed Martin's deep technical experience and Palantir's Apollo platform to deliver modern software solutions for the U.S. Navy's combat systems. Leveraging Lockheed Martin's extensive technical expertise and Palantir's innovative Apollo platform, the partnership aims to revolutionize the delivery of mission-critical software for the Navy's surface fleet.

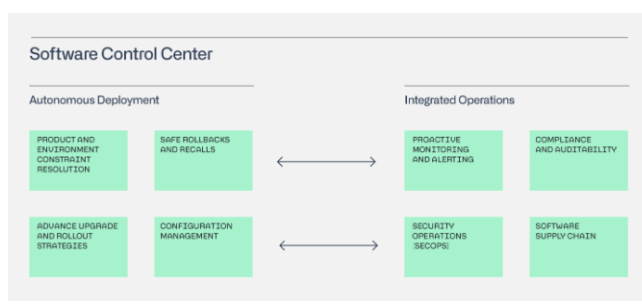
Palantir's products work cohesively to provide clients with an integrated software environment.

Exhibit 3: Apollo Outperforms in Deployment Amongst Industry Benchmarks

WORKFLOW – ASSET MANAGEMENT	APOLLO @ PALANTIR	HIGH	MEDIUM	LOW
DEPLOYMENT FREQUENCY <small>For the primary application or service you work on, how often does your organization deploy code to production or release it to end users?</small>	THOUSANDS OF DEPLOYS PER DAY <small>(HOURS / WEEK)</small>	ON-DEMAND MULTIPLE / WEEK	ONCE / WEEK TO ONCE PER MONTH	ONCE / MONTH TO ONCE PER 6 MONTHS
LEAD TIME FOR CHANGES <small>For the primary application or service you work on, what is your lead time for changes (i.e. how long does it take to go from code committed to code successfully running in production)?</small>	3.5 MINUTES	ONE DAY TO ONE WEEK	ONCE / WEEK TO ONCE PER MONTH	ONCE / MONTH TO ONCE PER 6 MONTHS
TIME TO RESTORE SERVICE <small>For the primary application or service you work on, how long does it generally take to restore service when a service incident or a defect that impacts users occurs (e.g., unpermitted outage or service impairment)?</small>	4.9 MINUTES	UNDER ONE DAY	ONE DAY TO ONE WEEK	ONCE / WEEK TO ONCE PER MONTH
CHANGE FAILURE RATE <small>For the primary application or service you work on, what percentage of changes to production or released to users result in degraded service (e.g., need for service impairment or service outage) and subsequently require remediation (e.g., require a hotfix, rollback, or forward patch)?</small>	4.5%	0% – 15%	16% – 30%	46% – 60%

Source(s): Palantir

Exhibit 4: Enables Autonomous Deployment and Integrated Operations



Source(s): Palantir

AIP - Palantir's AIP (Advanced Intelligence Platform) is a specialized offering designed to cater to the unique needs of intelligence and defense agencies. Unlike Palantir Gotham, which serves broader government sectors, AIP focuses specifically on advanced intelligence analysis and operations. It integrates diverse data sources such as signals intelligence, human intelligence, geospatial data, and open-source information to provide comprehensive situational awareness and actionable intelligence. AIP enables analysts and operators to uncover hidden connections, predict adversary behavior, and support decision-making in critical missions. Its advanced analytics capabilities, including machine learning and predictive modeling, empower agencies to anticipate threats, prevent attacks, and maintain strategic superiority. AIP's secure collaboration features facilitate information sharing among allied agencies, enhancing interoperability and joint operational effectiveness. By prioritizing security, scalability, and mission-critical capabilities, AIP ensures that intelligence and defense communities can leverage data-driven insights to safeguard national security interests effectively. Its specialization in intelligence analysis sets AIP apart within Palantir's suite of products, focusing specifically on empowering agencies with the tools needed to navigate complex geopolitical landscapes and evolving threats.

Industry Upside Factors

Constant innovation and competition contribute to a constant outflow of new technologies.

Though we expect a slowdown in the tech sector due to market saturation, economic cycles, and regulatory challenges, tech companies can still search for opportunities in unexplored or underdeveloped markets. The tech industry in the US is on a sustainable growth projection, with an expected CAGR of 5% through 2024. The cloud computing sector was valued at \$371.4 billion in 2020 and is expected to grow by a CAGR of 17.5% by 2025.

Integration of AI into businesses presents exciting upside for tech industry. AI technologies offer unprecedented opportunities for companies to streamline operations, enhance decision making processes, and unlock new avenues for innovation and growth. As of 2023, 84% of companies rely on AI to gain a competitive edge. By leveraging AI-powered tools and algorithms, businesses can gain deeper insights from vast amounts of data, leading to more informed strategic decisions and improved efficiency across various functions, from customer service to supply chain management. AI is reshaping industries and driving transformative changes that promise to redefine the future of business.

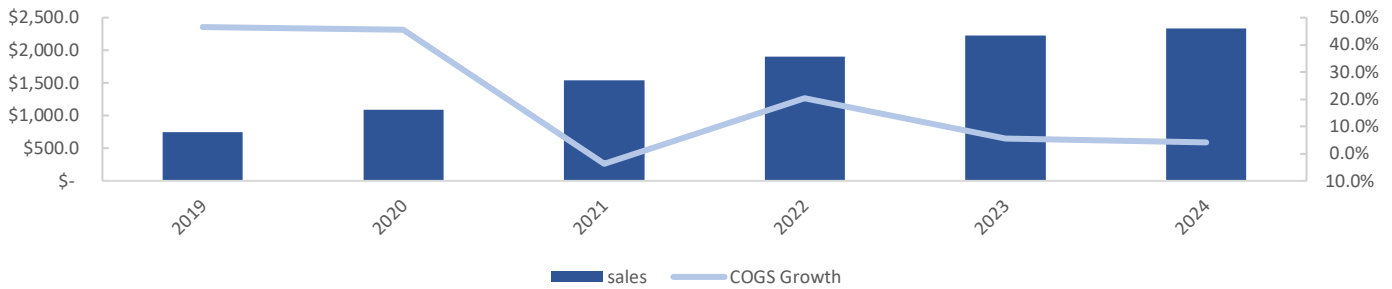
Investment Positives

Palantir's Operational Optimization: Enhancing Efficiency Across the Board

Palantir has demonstrated significant improvements in operational efficiency by effectively controlling its cost of goods sold alongside robust sales growth (Exhibit 5). Leveraging advancements in supply chain logistics and technology, the company has optimized production processes and procurement strategies, leading to a notable reduction in COGS growth. This achievement underscores Palantir's commitment to achieving economies of scale and enhancing profit margins while expanding its market footprint in the data analytics and software solutions sector.

This balanced strategy not only bolsters financial performance but also solidifies Palantir's leadership in utilizing data-driven insights to drive operational efficiencies and strengthen competitiveness in the industry. Given these positive developments, we maintain an outperform rating on Palantir, anticipating continued strategic advancements and favorable financial outcomes.

Exhibit 5: Palantir Maintains Increase in Revenue While Decreasing COGS Growth



Source(s): FactSet, VIG Research

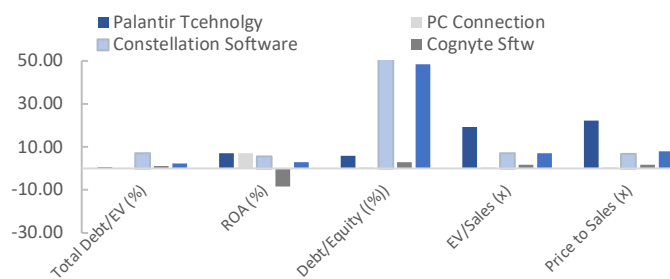
Historically, Palantir Technologies has faced scrutiny regarding its financial stability as it has only recently achieved profitability in 2023. However, recent developments highlight a positive shift in the company's financial health, largely due to a renewed focus on improving overall margins. Despite the company's reliance on debt to fund its software platforms, Palantir is notable for maintaining one of the lowest debt-to-equity ratios among its competitors. Additionally, it boasts one of the highest returns on assets in the industry, underscoring its effective resource management and profitability. Although Palantir's enterprise value-to-sales and price-to-sales ratios might be relatively elevated—indicating that the company is priced at a premium—we view this trend as a positive sign of investor confidence and optimistic forward guidance. These financial metrics suggest that the market perceives strong potential for sustained growth and continued market leadership (Exhibit 6).

Palantir achieved profitability in 2023, marking a significant milestone for the company, driven primarily by its ability to enhance margins.

Palantir Technologies' superior financial performance relative to its peers stems from several strategic advantages and operational efficiencies. The company focuses on delivering high-value, customized software solutions for government and commercial clients, enhancing profitability. Its scalable platforms, Gotham and Foundry, integrate advanced data analytics and AI capabilities, allowing for robust functionalities and justifying premium pricing.

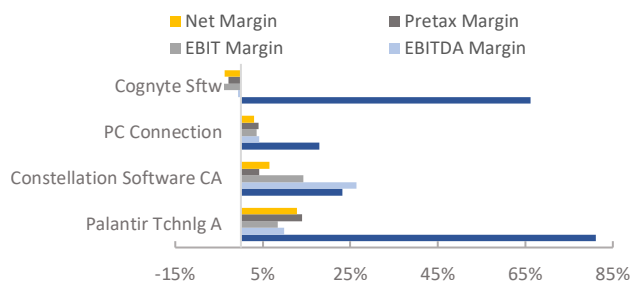
Additionally, Palantir's disciplined cost management and ongoing product innovation contribute significantly to its strong margins. Unlike competitors with higher overhead costs, Palantir's streamlined operations enable better cost control and margin expansion. This financial robustness not only strengthens its competitive position but also underscores its ability to maintain profitability while driving long-term growth. By leveraging its operational efficiencies and strategic advantages, Palantir is well-positioned to sustain its financial health and continue its growth trajectory in the technology sector.

Exhibit 6: Palantir's Higher Multiples Seen as a Sign of Investor Confidence



Source(s): FactSet, VIG Research

Exhibit 7: Palantir Technologies leads in margins with focused solutions, scalable platforms, and ongoing innovation



Source(s): FactSet, VIG Research

Palantir's Strategic Expansion into the U.S. Commercial Sector Drives Sustained Revenue Growth

Palantir Technologies originally focused on creating sophisticated software solutions tailored for the U.S. intelligence community, leveraging its expertise to develop tools that address complex data analysis and operational needs. Over time, the company expanded its horizons beyond its initial government-centric focus and began to tap into the U.S. commercial sector. This transition marked a significant strategic shift, as Palantir sought to diversify its revenue streams and broaden its market presence.

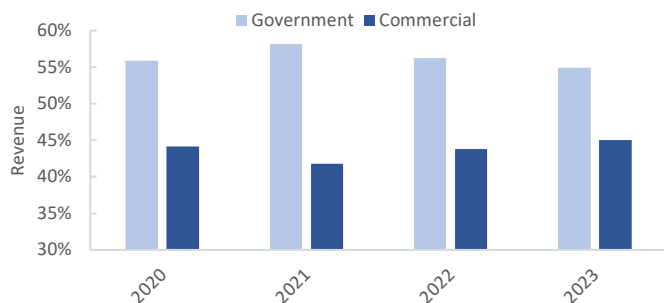
In recent years, Palantir has made concerted efforts to accelerate its growth within the commercial segment. The results of these efforts became evident in 2023, when the company achieved substantial financial milestones. During this period, Palantir reported total revenue of \$2.2 billion. Notably, 55% of this revenue was generated from government clients, while 45% came from commercial clients (Exhibit 8). This nearly even split between government and commercial revenue indicates a strategic pivot towards increasing its footprint in the commercial market, reflecting Palantir's ongoing commitment to expanding its commercial operations.

Central to Palantir's evolving strategy is its Artificial Intelligence Platform (AIP), which integrates state-of-the-art machine learning technologies into its flagship Gotham and Foundry platforms. This integration is designed to significantly enhance the capabilities of these platforms, providing advanced tools for a wide range of enterprise data needs. By embedding AIP into its software solutions, Palantir aims to empower businesses with sophisticated capabilities for data analysis, decision-making, and operational efficiency. The incorporation of AIP reflects the company's focus on leveraging artificial intelligence to drive innovation and deliver value to its clients.

In a further demonstration of its commitment to the commercial sector, Palantir launched a comprehensive bootcamp initiative in late 2023. Over the course of its inaugural year, the company organized more than 500 bootcamps, with a majority taking place in the latter half of the year. These bootcamps, which range in duration from 1 to 5 days, are designed to provide participants with in-depth, hands-on training on the AIP platform. The bootcamps include practical exercises in algorithmic reasoning and object representation, supplemented by real-time expert feedback. This immersive approach allows participants to experience firsthand the capabilities and potential applications of Palantir's software in real-world scenarios.

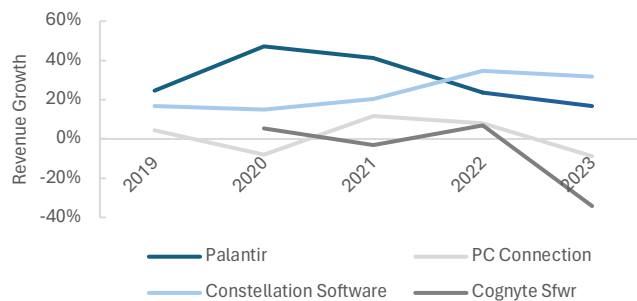
While these bootcamps serve as a direct avenue for generating revenue, they also play a strategic role in building and nurturing long-term relationships with prospective clients. By offering businesses an opportunity to engage closely with Palantir's software, the bootcamps help increase awareness of the platform's robust functionalities. Even if companies do not immediately adopt Palantir's solutions following their participation, the exposure gained through these sessions may enhance the likelihood of future adoption. This strategy aligns with Palantir's broader goal of strengthening its position in the competitive commercial sector and building a foundation for sustained growth.

Exhibit 8: Palantir Technologies Shifts Focus on Commercial Clients Over Recent Years



Source(s): FactSet, VIG Research

Exhibit 9: Palantir Continues to Grow Revenue Despite Initial Growth Deceleration



Source(s): FactSet, VIG Research

As Palantir continues to innovate and expand its suite of products, it remains well-positioned to capitalize on emerging market trends and seize new opportunities. The company’s efforts to balance its revenue streams between government and commercial sectors, coupled with its proactive engagement strategies, are likely to influence its future growth trajectory and market positioning. Through ongoing advancements and strategic initiatives, Palantir aims to solidify its role as a key player in the data analytics and artificial intelligence landscape.

US Government’s Partnership with Palantir Provides Extreme Competitive Advantage

Palantir Technologies’ partnership with the U.S. government is a fundamental driver of its revenue stream, with over half of the company’s earnings derived from government contracts. This strategic alignment is particularly evident through Palantir’s Government Web Services (GWS), which delivers crucial software solutions designed to operationalize mission-critical capabilities for defense technology organizations. The GWS platform facilitates the integration of advanced data analytics and operational tools, enabling government agencies to significantly enhance their decision-making processes and overall operational efficiency.

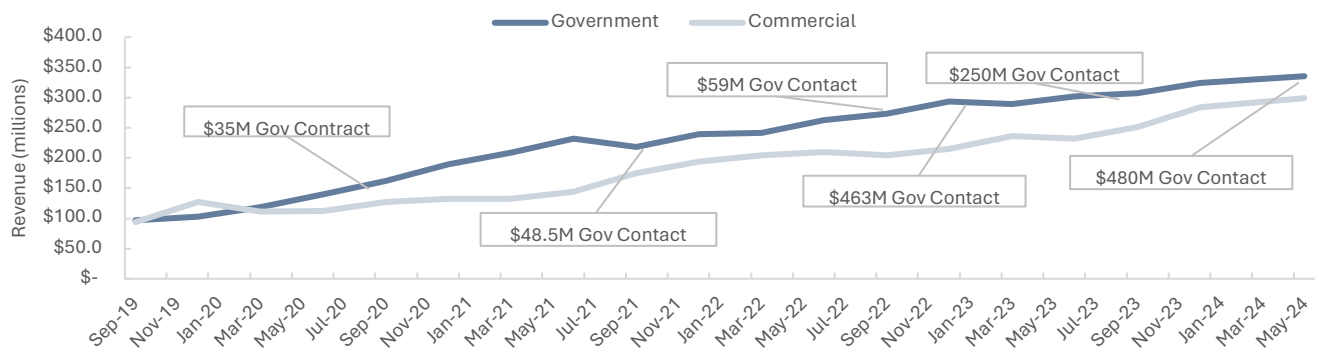
In the fiscal year 2023, Palantir’s government segment achieved notable financial milestones, generating over a billion dollars from a diverse range of federal organizations and defense agencies, as illustrated in Exhibit 10. This financial success highlights the strong and sustained demand for Palantir’s specialized technologies within the governmental sector. The introduction of Palantir’s FedStart program further exemplifies the company’s strategic efforts to foster innovation and build partnerships with defense technology startups. By providing these startups with access to its robust software solutions, Palantir not only promotes innovation but also converts potential competitors into collaborative partners. This approach expands Palantir’s influence and market share within the defense technology sector.

Palantir has successfully earned the trust of the U.S. government, which has led to securing larger contract sizes.

When compared to its competitors, Palantir distinguishes itself through the scale of its government business, its consistent growth trajectory, and its advanced technological expertise. While other firms may secure government contracts, few can match the depth and breadth of the tailored solutions that Palantir offers. This competitive edge becomes particularly significant in the context of ongoing geopolitical tensions, where governments increasingly prioritize cutting-edge defense technologies and sophisticated data analytics solutions.

Looking ahead, the persistence of geopolitical rivalries—particularly between the United States and major global adversaries such as Russia and China—is anticipated to drive increased demand for advanced defense technologies. Palantir’s established presence and well-developed relationships within the U.S. government uniquely position it to leverage these opportunities. As the scope and complexity of government contracts continue to evolve, Palantir is strategically positioned to capitalize on these trends, further expanding its revenue potential within this crucial market segment. This positions Palantir as a leading entity in the realms of defense technology and data analytics, reinforcing its role as a key player in addressing the evolving needs of government agencies.

Exhibit 10: Palantir Sees Increase in Government Contract Size as Sign of Effectiveness of its Software



Source(s): FactSet, VIG Research

AI Growth Prospects: A Key Driver for Palantir's Expansion

The growth potential in artificial intelligence (AI) presents a substantial opportunity for Palantir Technologies, positioning the company to benefit significantly as more businesses integrate AI into their operations. AI's transformative impact across various industries is increasingly recognized, with many organizations seeking to leverage advanced data analytics and machine learning technologies to enhance their operational efficiencies, drive innovation, and gain competitive advantages. Palantir's deep expertise in AI, exemplified through its advanced Artificial Intelligence Platform (AIP), aligns seamlessly with this trend, enabling the company to capitalize on the rising demand for AI-driven solutions.

As businesses across sectors—from finance and healthcare to manufacturing and retail—adopt AI technologies, they are increasingly relying on sophisticated tools to process and analyze vast amounts of data. Palantir's platforms, such as Gotham and Foundry, are well-positioned to address these needs by offering robust AI and data analytics capabilities. These platforms facilitate the integration of AI into organizational workflows, allowing businesses to derive actionable insights from complex datasets, optimize decision-making processes, and enhance overall operational efficiency. This growing adoption of AI creates a significant market for Palantir's solutions, as companies seek to harness the power of AI to drive their strategic objectives.

Moreover, the rapid pace of AI advancements presents Palantir with opportunities to expand its product offerings and enhance its technological capabilities. By continuously innovating and integrating cutting-edge AI technologies into its platforms, Palantir can meet the evolving needs of its clients and stay ahead of emerging trends in the AI landscape. This not only reinforces Palantir's position as a leader in AI and data analytics but also allows the company to attract new clients and retain existing ones by providing state-of-the-art solutions that address their most pressing challenges.

The widespread shift towards AI adoption is further supported by the increasing recognition of its potential to revolutionize business operations. As organizations invest in AI to improve productivity, streamline processes, and uncover new growth opportunities, Palantir stands to benefit from this expanding market. The company's ability to offer scalable and customizable AI-driven solutions makes it an attractive partner for businesses looking to leverage AI technologies effectively. As AI continues to evolve and gain traction across diverse industries, Palantir's strategic positioning and technological expertise will enable it to capture a significant share of this growing market, driving sustained growth and reinforcing its leadership in the field of advanced data analytics and AI.

Moreover, our optimistic outlook on the adoption of AI technologies across sectors suggests favorable prospects for Palantir in both the short and long term. As businesses increasingly rely on AI to extract insights from vast datasets and drive innovation, Palantir remains a key player in delivering value-added solutions to its clients, solidifying its position as a leader in the AI and data analytics space.

Palantir Technologies Leadership Team Drives Confidence and Growth

Palantir Technologies was founded by Peter Thiel, Alex Karp, Joe Lonsdale, Stephen Cohen, and Nathan Getting. Peter Thiel currently sits on the board of directors at Palantir and is renowned for his pivotal role in the creation of PayPal, a leading online payment system. Thiel's entrepreneurial acumen extends beyond PayPal; he has made significant early investments in several high-profile tech companies, including Stripe, a prominent online payment processing platform, and SpaceX, the aerospace manufacturer and space transportation company founded by Elon Musk. His track record in identifying and nurturing groundbreaking technologies and startups underscores his strategic foresight and business savvy.

Alexander Karp, also a co-founder and the CEO of Palantir, brings a wealth of experience to his role. Prior to establishing Palantir, Karp co-founded the Caedmon Group, a financial management firm that caters to high-net-worth individuals. His success with Caedmon Group demonstrated his capability in managing complex financial portfolios and providing strategic advice to affluent clients. The skills and insights gained from his prior ventures have been instrumental in shaping Palantir's strategic direction and operational excellence.

While the other co-founders may not be as widely recognized, they each play a crucial role in the company's success and bring significant expertise to the team. Joe Lonsdale, Stephen Cohen, and Nathan Gettings all possess extensive backgrounds in management and technology, contributing their diverse skills to enhance Palantir's innovative culture. Their prior experience in building and scaling technology companies equips them with valuable insights into the challenges and opportunities within the sector, ensuring that Palantir is well-positioned to navigate the evolving landscape of data analytics and software solutions. Together, this collaborative leadership team strengthens Palantir's ability to drive growth and foster innovation in a competitive market.

Exhibit 11: Management Compensation

Name	Position	Salary	TotalComp.
Alexander Caedmon Karp, PhD	Chief Executive Officer & Director	\$1,101,637	\$3,498,197
Stephen Cohen	President, Secretary & Director	\$273,636	\$357,289
David Glazer	Chief Financial Officer & Treasurer	\$450,200	\$474,755
Shyam Sankar	Chief Technology Officer & Executive VP	\$509,419	\$632,180
Ryan Taylor	Chief Legal & Revenue Officer	\$437,925	\$5,550,023

Source(s): Palantir, VIG Research

Investment Risks

Volatility and Market Challenges

Palantir Technologies faces significant volatility and challenges inherent in the technology sector, particularly in data analytics and software services. This includes fluctuating market conditions that can impact demand for its products and services, as well as the necessity to adapt to rapid technological advancements. The company must remain agile to respond to market shifts and emerging trends, which can pose risks to its business model and overall financial stability.

Regulatory and Competitive Landscape

The evolving regulatory environment, particularly concerning data privacy and cybersecurity, presents specific risks for Palantir. Changes in government policies could directly affect its operations and client relationships, leading to potential compliance costs or restrictions. Additionally, the competitive landscape is marked by constant innovation and disruption, requiring Palantir to continuously enhance its offerings. Failure to do so could result in losing market share to more agile competitors, further threatening its position in the industry.

Operational and Talent Risks

Palantir's reliance on large contracts with government and enterprise clients introduces revenue concentration risk, where losing a key client or facing contract delays could have a detrimental impact on financial performance. Operational challenges, such as integration issues with client systems, dependence on third-party technology providers, and the risk of data security breaches, add complexity to its operations. Furthermore, the company's growth strategy hinges on attracting and retaining top talent, as well as securing funding for ongoing development. Fluctuations in labor market conditions or shifts in investor sentiment could hinder its ability to attract the necessary resources to thrive.

Recent News

Palantir Technologies Wins \$100M US Military Contract Expansion

Palantir Technologies has announced a significant expansion of its partnership with the U.S. military through a new \$100 million contract. This contract builds on prior collaborations, emphasizing Palantir's role in providing critical data analytics and software solutions that enhance military operations.

The U.S. Department of Defense's decision to extend its relationship with Palantir highlights the increasing importance of data-driven decision-making in military contexts. Palantir's platforms, such as Gotham, are designed to integrate and analyze vast amounts of data from various sources, allowing military personnel to gain actionable insights. This capability is crucial for intelligence gathering, operational planning, and mission execution, particularly in complex and dynamic environments.

The expansion is seen as part of a broader trend of growing defense budgets aimed at modernizing military capabilities and improving efficiency. As geopolitical tensions rise and the need for advanced technological solutions increases, Palantir's offerings position the company well within the defense sector.

This contract not only enhances Palantir's financial outlook but also solidifies its reputation as a trusted partner for governmental agencies. The ongoing relationship with the military may pave the way for additional contracts in the future, further establishing Palantir as a leader in defense technology and data analytics.

Palantir Secures Pentagon Contract to Enhance Defense Data-Sharing Ecosystem

The Pentagon's Artificial Intelligence (AI) office has awarded Palantir Technologies a new contract aimed at creating a robust data-sharing ecosystem for the Department of Defense. This initiative is part of the Pentagon's broader effort to enhance its AI capabilities and improve the integration of data across various military branches and agencies.

The contract focuses on developing a framework that enables seamless data sharing and collaboration, which is essential for leveraging AI technologies effectively. By centralizing data access and improving interoperability, Palantir's solutions are expected to facilitate better decision-making and operational efficiency within the defense sector.

This move aligns with the Pentagon's strategic goals to harness AI for enhancing military operations, ranging from logistics and supply chain management to intelligence analysis. The emphasis on a unified data-sharing approach reflects the recognition of data as a critical asset in modern warfare and defense strategy.

Palantir's established expertise in data analytics and its previous work with the Department of Defense position the company as a key player in this initiative. The contract not only underscores the Pentagon's commitment to advancing its technological capabilities but also reinforces Palantir's status as a trusted partner in the defense industry. This partnership is likely to drive innovation and could lead to further opportunities for collaboration as the military continues to evolve its approach to technology and data utilization.

Valuation

DCF Model and Assumptions

In our valuation of Palantir, we conducted a Discounted Cash Flow (DCF) analysis to arrive at a target price of **\$50.19** per share. This valuation utilizes a 50/50 split between the Gordon Growth Model and an exit multiple approach. We opted for a DCF analysis over a comparable companies (comps) analysis due to the limited number of direct competitors to Palantir in the data analytics space. The company operates in a niche market where its unique capabilities and offerings set it apart, making traditional comps less relevant for accurately assessing its value.

Given Palantir's status as a newer, high-growth company, we based our assumptions on comparable high-growth software firms, including CrowdStrike, Workday, Autodesk, and Palo Alto Networks. These benchmarks provided insights into expected growth rates and profitability, allowing us to create realistic projections for Palantir's future cash flows. By synthesizing the insights from these comparable companies with our DCF analysis, we believe we have developed a comprehensive valuation that captures the inherent risks and opportunities within Palantir's business model.

Moreover, the decision to utilize a DCF analysis enables us to incorporate specific growth drivers and future cash flow expectations that are tailored to Palantir's unique operations, rather than relying on broad market multiples that may not accurately reflect its potential. This approach also allows for a more detailed examination of Palantir's long-term value, especially as the demand for data-driven decision-making continues to escalate across industries.

Ultimately, this target price reflects our optimistic long-term outlook on the company's potential to thrive in the evolving data analytics landscape, despite any short-term market volatility. We believe that Palantir's innovative solutions position it favorably to capitalize on emerging trends, reinforcing its potential for outperformance in the competitive tech sector.

Exhibit 12: Palantir Discounted Cash Flow

DCF	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	742.56	1,092.67	1,541.89	1,905.87	2,225.01	\$2,848.02	\$3,619.83	\$4,568.22	\$5,723.98	\$7,120.63	\$8,793.98	\$10,781.42	\$13,120.99	\$15,850.16	\$19,004.34	\$22,615.17
% Growth		47.15%	41.11%	23.61%	16.75%	28.00%	27.10%	26.20%	25.30%	24.40%	23.50%	22.60%	21.70%	20.80%	19.90%	19.00%
COGS	242.37	352.55	339.40	408.55	431.11	\$521.76	\$640.28	\$727.22	\$820.09	\$918.17	\$1,020.55	\$1,126.08	\$1,233.39	\$1,340.94	\$1,447.01	\$2,713.82
% Revenue	32.64%	32.26%	22.01%	21.44%	19.38%	18.32%	17.69%	15.92%	14.33%	12.89%	11.61%	10.44%	9.40%	8.46%	7.61%	12.00%
SG&A	1,076.63	1,913.81	1,613.53	1,658.52	1,673.94	\$1,367.05	\$1,628.92	\$1,850.13	\$2,086.39	\$2,335.92	\$2,596.38	\$2,864.85	\$3,137.87	\$3,411.49	\$3,681.34	\$4,070.73
% Revenue	144.99%	175.15%	104.65%	87.02%	75.23%	48.00%	45.00%	40.50%	36.45%	32.81%	29.52%	26.57%	23.91%	21.52%	19.37%	18.00%
EBIT	(\$576.44)	(\$1,173.68)	(\$411.05)	(\$161.20)	\$119.97	\$959.21	\$1,350.63	\$1,990.87	\$2,817.50	\$3,866.54	\$5,177.05	\$6,790.50	\$8,749.74	\$11,097.73	\$13,875.99	\$15,830.62
Taxes	\$12.38	(\$12.60)	\$31.89	\$10.07	\$19.72	\$50.57	\$71.20	\$104.96	\$148.54	\$203.84	\$272.93	\$357.99	\$461.28	\$585.06	\$731.53	\$834.57
% of EBIT	-2.15%	1.07%	-7.76%	-6.24%	16.43%	5.27%	5.27%	5.27%	5.27%	5.27%	5.27%	5.27%	5.27%	5.27%	5.27%	5.27%
EBIAT	(\$588.82)	(\$1,161.08)	(\$442.93)	(\$171.27)	\$100.25	\$908.64	\$1,279.43	\$1,885.91	\$2,668.96	\$3,662.70	\$4,904.13	\$6,432.52	\$8,288.46	\$10,512.67	\$13,144.47	\$14,996.05
D&A	\$12.26	\$13.87	\$14.90	\$22.52	\$33.35	\$61.20	\$86.17	\$127.02	\$179.75	\$246.68	\$330.29	\$433.23	\$558.22	\$708.02	\$885.28	\$1,009.98
% EBIT	-2.13%	-1.18%	-3.62%	-13.97%	27.80%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%
CapEx	(\$13.10)	(\$12.20)	(\$12.60)	(\$40.00)	(\$15.10)	\$35.69	\$50.25	\$74.08	\$104.83	\$143.87	\$192.63	\$252.66	\$325.56	\$412.93	\$516.30	\$589.03
% EBIT	2.27%	1.04%	3.07%	24.81%	-12.59%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%
Change in NWC	(\$165.40)	\$264.96	\$46.93	\$146.77	(\$92.50)	\$20.80	\$29.28	\$43.17	\$61.09	\$83.83	\$112.25	\$147.23	\$189.71	\$240.62	\$300.85	\$343.23
% EBIT	28.69%	-22.58%	-11.42%	-91.05%	-77.11%	2.17%	2.17%	2.17%	2.17%	2.17%	2.17%	2.17%	2.17%	2.17%	2.17%	2.17%
UFCF	(\$398.06)	(\$1,399.97)	(\$462.36)	(\$255.52)	\$241.20	\$913.35	\$1,286.06	\$1,895.69	\$2,682.80	\$3,681.68	\$4,929.54	\$6,465.85	\$8,331.42	\$10,567.15	\$13,212.59	\$15,073.76
PV UFCF						\$829.19	\$1,059.96	\$1,418.45	\$1,822.43	\$2,270.51	\$2,759.94	\$3,286.50	\$3,844.53	\$4,426.88	\$5,025.08	\$5,204.66
Sum PV UFCF																\$31,948.11

Source(s): FactSet, VIG Research

Exhibit 13: Gordon Growth and Exit Multiple

Gordon Growth	
Terminal Value	\$ 2,539,348.70
PV TV	\$ 1,421,724.12
Enterprise Value	\$ 1,453,672.24
Imp. Market Cap	\$ 1,457,323.04
Imp Share Value	\$ 68.42

Exit Multiple	
Projected EV/Sales	82.63x
Terminal Value	\$1,868,790.27
PV TV	\$645,254.51
Enterprise Value	\$677,202.62
Imp. Market Cap	\$680,853.42
Imp Share Value	\$31.96

Source(s): FactSet, VIG Research

Exhibit 14: Historical Growth Comps

Company	Historical EV/EBITDA		Historical EV/Sales		Historical P/E	
	Y7	Y8	Y7	Y8	Y7	Y8
Workday A	-60.57x	-64.77x	9.31x	9.79x	-	-
Crowdstrike	-246.38x	438.10x	10.29x	22.29x	-	797.97x
Autodesk	20.61x	22.86x	5.82x	5.07x	30.07x	36.74x
Roper Technologies	12.88x	12.95x	2.91x	3.16x	22.71x	23.59x
Synopsys	15.97x	17.91x	2.20x	2.37x	-	132.41x
Salesforce Inc	535.88x	129.16x	7.50x	13.98x	9.86x	23.10x
Block Inc	262.82x	197.52x	5.95x	7.01x	-	-
Adobe	18.13x	24.38x	7.27x	8.29x	29.39x	47.41x
Mean	272.28x	117.02x	6.91x	9.76x	19.63x	35.26x
Median	262.82x	129.16x	7.27x	8.29x	19.63x	35.26x
Palantir Technologies	68.14x	55.91x	25.14x	20.84x	83.13x	68.21x

Source(s): FactSet, VIG Research

Exhibit 15: Historical Growth Comps Valuation

Metric	Raw Weighting	Historical Data	
		Y7	Y8
EV/EBITDA	70%	272.28x	117.02x
EV/Sales	15%	6.91x	9.76x
P/E	15%	19.63x	35.26x

Estimated Company Financials				
(\$ in Millions)	2022A	2023A	2024E	2025E
EBITDA	\$443.00	\$666.00	\$927.00	\$1,116.00
% Growth		50.34%	39.19%	20.39%
SALES	\$1,906.00	\$2,225.00	\$3,021.00	\$3,320.00
% Growth		16.74%	35.78%	9.90%
EPS	\$0.06	\$0.25	\$0.33	\$0.40
% Growth		316.67%	32.00%	21.21%
Net Debt	-\$2,599.00	-\$3,674.00	-\$3,708.00	-\$4,764.00

Shares Outstanding	2130
EV/EBITDA Imp. EV	\$130,594.32
EV/EBITDA Imp. Price	\$63.55
P/E Imp. Price	\$14.10
EV/Sales Imp. EV	\$32,403.20
EV/Sales Imp. Price	\$17.45
Final Target Price	\$49.22

Source(s): FactSet, VIG Research

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