

EQUITY RESEARCH



TECHNOLOGIES, INC.

NASDAQ: PLTR

Company Report

BUY | **Target Price: US\$150.88** | **Implied Upside: +12.6%**

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EQUITY RESEARCH DIVISION

Executive Summary

Palantir Technologies, Inc. (NASDAQ: PLTR) is an American software company that builds AI and data analytics infrastructure for governments and large enterprises. Founded in 2003, Palantir began by serving US defense and intelligence agencies with its Gotham platform and has since expanded into commercial markets through Foundry and, most importantly, its Artificial Intelligence Platform (AIP). The company acts as a data processor rather than a data controller: it deploys platforms that allow organisations to build decision-support systems on their own data, within strict security and governance frameworks, without Palantir ever collecting or reselling that data.

We initiate coverage on Palantir Technologies, Inc. (NASDAQ: PLTR) with a BUY recommendation and a 12-month target price of US\$150.88 per share, implying approximately 10% upside from the current share price of approximately US\$136. Our valuation is based on a blended DCF analysis and a relative valuation against high-growth enterprise software peers. 2025 was a landmark year for Palantir: revenue reached \$4.48 billion, a 56% year-on-year increase, GAAP operating margins expanded to 32% from 5% in 2023, and free cash flow hit \$2.27 billion at a 51% margin. With a Rule of 40 score of 127% and a net dollar retention rate of 139%, Palantir ranks among the highest-quality software businesses globally by these metrics.

The investment thesis rests on three structural pillars. First, AIP and the bootcamp go-to-market model have fundamentally changed the company's commercial growth trajectory, compressing sales cycles from months to days and more than doubling the commercial customer base to 571 clients in two years. US commercial revenue effectively doubled in 2025. Second, long-term US government contracts, with revenue reaching approximately \$1.85 billion in 2025, provide a durable revenue floor and serve as proof points for regulated commercial clients requiring the highest security standards. Third, Palantir's ontology-based architecture creates deep client integration and switching costs that translate into persistent expansion within the installed base, driving the 139% net dollar retention figure.

The key risks are a demanding valuation that leaves limited margin for execution missteps, exposure to US government budget cycles, intensifying competition from hyperscalers such as Microsoft Azure AI and Google Vertex AI, ongoing stock-based compensation dilution (though declining, at 15% of revenue in 2025), and uncertainty around international expansion, which at 26% of revenue in 2025 remains significantly underpenetrated relative to the addressable opportunity.

Investment Thesis

Palantir sits at the intersection of two structural technology themes: enterprise adoption of operational AI and the modernisation of Western government and defense infrastructure. Its differentiated position across both creates a business profile that is difficult to replicate and increasingly difficult to displace once embedded.

AIP bootcamp model. The launch of AIP in 2023 and the associated bootcamp go-to-market approach is the single most consequential development in Palantir's recent history. By allowing prospective clients to build working AI prototypes on their own data within days, Palantir has removed the most significant friction in its sales process. Commercial customers grew 118% between early 2024 and Q4 2025, and the 139% net dollar retention confirms that existing clients continue to expand their deployments organically. As enterprise AI adoption shifts from experimentation to production, Palantir is positioned to capture an outsized share of AI infrastructure spending in security-sensitive and regulated industries.

Government as anchor and proof point. The Gotham platform, deployed in counter-terrorism and battlefield operations for over two decades, is embedded in mission-critical US government workflows and extraordinarily difficult to displace. Government contracts do not just provide recurring revenue: they act as credibility for commercial clients in regulated industries who require the highest standards of security and governance before committing. Palantir's explicit alignment with Western democratic institutions further strengthens its access to NATO-allied defense and intelligence budgets.

Financial maturity. The convergence of GAAP and adjusted earnings, driven by SBC declining from over 50% of revenue in 2021 to 15% in 2025, signals genuine operational maturity. GAAP operating margins of 32% and 51% FCF margins demonstrate that growth and profitability are now reinforcing rather than competing with each other.

Management priorities. The most critical gap is international expansion: with 74% of revenue concentrated in the US, Palantir must demonstrate that the bootcamp model is exportable to Europe and APAC. Management should also maintain SBC discipline, preserve AIP's model-agnostic positioning in its Nvidia and xAI partnerships rather than allowing dependency on any single provider, and invest patiently in the Developer Tier as a pipeline for future enterprise conversions.

Based on our analysis, we initiate coverage with a BUY rating and a 12-month target price of US\$150.88 per share. The combination of a durable government revenue base, rapidly compounding commercial momentum driven by AIP, and a high-quality free cash flow profile

justifies the premium multiple. Near-term volatility is likely given the demanding valuation, but for investors with a medium-term horizon the risk-reward profile remains attractive.

Business Plan

Palantir is a software company that builds digital infrastructure for data-driven operations and decision making. Its platforms provide the client's decisionmakers with the right data of their organisations enabling them to perform advanced analytics and make informed and intelligent data-driven decisions. To that end, Palantir licenses its software to clients enabling them to conduct their own work on their own data. It allows for better data management of the data clients already own. Its software enables clients to combine data that over time has been stored in different silos. Compared to other tech companies, Palantir's business model is not based on collecting, storing or selling of personal data. Palantir acts as a data processor, not as a data controller and it does not and cannot reuse client data for its own purposes. Privacy and data security are fundamental to Palantir and have been built into the platform's architecture.

Palantir's business model is built around two main customer segments: government and commercial clients. The business model has a platform-as-a-service structure, under which clients pay for access to its analytics infrastructure. Palantir typically sells multi-year licenses with terms ranging from three to seven years. This model provides strong visibility into future revenues. Once integration is completed, the platforms of Palantir become embedded in the operations of the client generating an 'ontology', which is a live digital model of the client's organisation. This client specific integration of the platform infrastructure in the operations of the client creates high switching costs and a strong net dollar retention for Palantir.

In recent years, Palantir has changed its go-to-market strategy significantly. In 2023, AIP bootcamps were introduced. These are intensive workshops where potential clients build AI prototypes on their own data in a few days. The introduction of these workshops has significantly shortened the sales cycle of Palantir and allows Palantir to deploy faster and to show tangible value while deepening the engagement with prospective clients.

By Q4 2025, Palantir reached a Rule of 40 score of 127% and a net dollar retention rate of 139%, both of which are exceptional figures for a software company of its scale.

In 2025, Palantir grew its revenue to \$4.48 billion, which was a 56% year-on-year increase. The government segment remained the largest contributor, accounting for 54% of total revenue. Geographically, the United States continued to dominate, generating 74% of revenue, up from 66% in 2024. The revenue mix shifted toward commercial clients. US commercial revenue more than doubled in 2025, mainly driven by adoption of the AIP. This shows a clear strategic pivot:

whereas historically most of Palantir’s revenues were driven by government spending, commercial clients now account for 46% of total revenue.

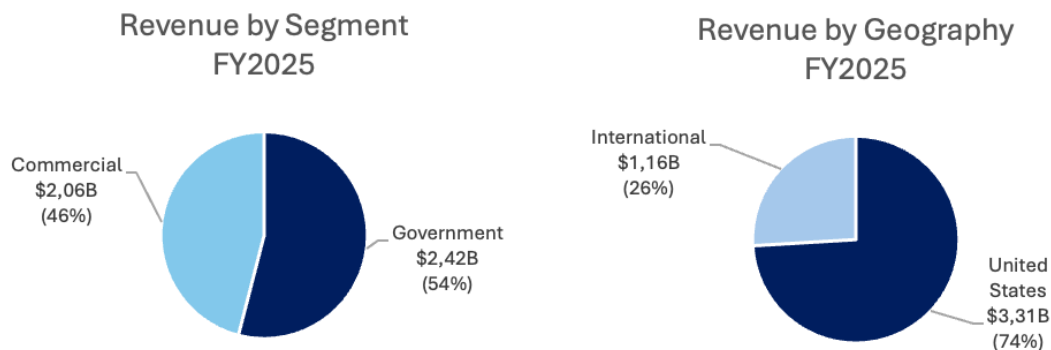


Figure 1: Revenue by segment and geography 2025

Products

Palantir has developed four core software platforms: Gotham, Foundry, Apollo, and AIP. Together, these platforms form one integrated technology stack that can operate seamlessly across any environment.

Platform	Primary Users	Main Function	Key use cases
Gotham	Defense & Intelligence use	Pattern recognition across classified datasets to enable tactical decisions	Counter-terrorism and fraud detection
Foundry	Commercial enterprises and civil government	Data operating system integrating data from different systems	Supply chain optimization, operational efficiency, and financial planning
AIP	Government and commercial enterprises that want to deploy AI on data	LLM/AI layer integrated into Gotham and Foundry	AI-driven workflows, autonomous agents and decision support
Apollo	Internal	Deployment control layer	Cloud and Edge

Table 1: Palantir’s 4 main platforms

Gotham

Gotham is Palantir’s original and foundational platform. It was developed for government, defense, and intelligence agencies. The platform enables analysts to discover and analyse

patterns in massive datasets and to coordinate operational responses. Gotham has been deployed in inter alia counter-terrorism operations and law enforcement investigations. It remains a strategic critical asset, as it is heavily integrated into US government workflows.

Foundry

Foundry is the commercial counterpart to Gotham and serves as a data operating system for commercial enterprises. It aggregates data from different sources, such as supply chain systems, ERP, CRM and HR platform, into a unified layer. This allows for enterprises to build AI-powered tools on top of their data without requiring significant engineering, supporting day-to-day operations and strategic decision making. Although Foundry was initially focused primarily on commercial enterprises, its adoption has increasingly expanded to civil government agencies in recent years.

AIP

Palantir's Artificial Intelligence Platform (AIP) launch in 2023 was the most significant product evolution for Palantir. AIP is designed for both government and commercial enterprises and integrates large language models (LLMs) directly into Gotham and Foundry, while still providing high levels of security by operating within Palantir's established security, governance, and audit frameworks. AIP also mandates oversight by humans in case of high-stake actions. Ensuring explicit human approval of AI-generated decisions is a very relevant feature, especially for military use cases and for regulated commercial clients. In February 2025, Palantir partnered with xAI to integrate Grok into AIP. Late 2025, Palantir and Nvidia entered into a strategic partnership by integrating Nvidia's data processing and route optimisation libraries in the Palantir Ontology to support customers by providing the advanced, context-aware reasoning necessary for operational AI.

Apollo

Apollo is Palantir's continuous delivery and deployment platform, underpinning all software developed by the company. It gives access to automatic software updates and operational management across cloud and edge environments. Apollo's role may not be visible to clients, but is essential for Palantir to serve them.

Strategy

Palantir's strategy rests on three core pillars: establishing itself as the foundational AI operating system for Western governments and large enterprises; aggressively scaling adoption in the U.S. commercial market; and leveraging its ontology-based architecture to build a durable competitive moat.

AI-First

What differentiates Palantir from typical data analytics vendors is that it provides the infrastructure layer required for operational AI, which is the layer that allows organisations to translate AI models into real-world decisions and actions. AIP is most important for this pillar as Palantir becomes the AI deployment layer for governments and enterprises that want to leverage LLMs while maintaining strict control over sensitive data, security, and governance requirements. Palantir focuses on complex use cases where data reliability, privacy, and security matter most.

AIP Bootcamps

The AIP Bootcamps have significantly changed the go-to-market model of Palantir. The time-to-value decreased from months to days. This shift led to Palantir's rapid expansion of its U.S. commercial customer base. Between early 2024 and late 2025, Palantir's commercial customer base more than doubled, reflecting accelerated enterprise adoption. At the start of 2024, there were 262 commercial customers. By Q4 2025 there were 571 commercial customers, implying a 118% increase in just two years. In 2024, the company also introduced a Developer Tier, which offered limited free access to Foundry and AIP. Aim is to broaden adoption, particularly among smaller enterprises and developers.

Competitive moat

Palantir has a competitive advantage rooted in its ontology-based architecture. Once integrated, the platform is deeply embedded in the client's organisation making it very complex and expensive to safely migrate to an alternative platform. This lock-in, translating into high customer retention and pricing power, combined with Palantir's expertise in mission-critical and security-sensitive environments, creates high entry barriers that are very hard to replicate for startups. The main competition exists from hyperscalers like Microsoft Azure and enterprise software vendors like Salesforce, Palantir's specialization and security first design remain big differentiators in favor of Palantir.

Strategic Anchor

Palantir has long-term contracts with US government agencies, including the US Army and intelligence organisations, which provide stable revenues and serve as proof points for potential commercial clients, particularly in regulated and mission-critical industries. US government revenue grew to approximately \$1,85 billion in 2025.

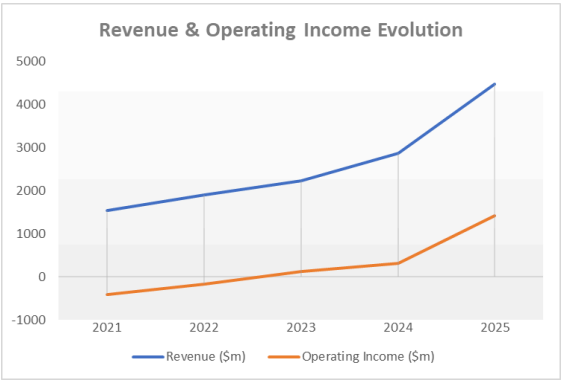
What differentiates Palantir from the Chinese competitors is that Palantir has been vocal about its commitment to help support Western democratic institutions. Internationally, Palantir is expanding its presence in Europe and the APAC region.

Even though the share of international revenue has seen a decrease to around 26%, international markets remain a strategic priority for Palantir.

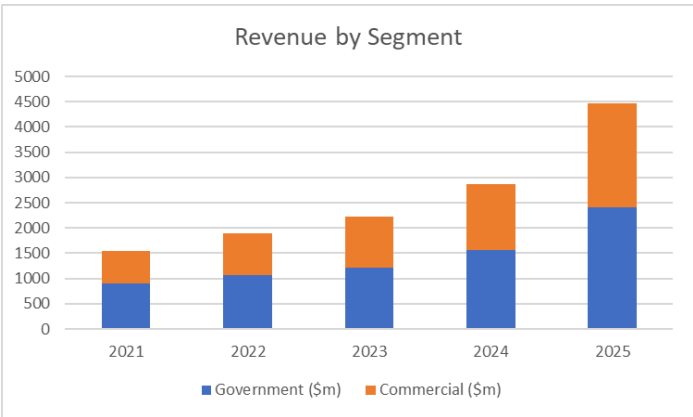
Financial Analysis & Operating Performance

Revenue Growth by Segment and Margin Evolution

Palantir’s financial performance over recent years reflects a clear transition from a high-growth technology company into a scalable and increasingly profitable software platform. Between 2021 and 2025, revenue expanded from \$1.54 billion to \$4.48 billion, with a particularly strong acceleration in 2025, where the company recorded a 56% year-on-year increase. As illustrated in Figure 1, this expansion was accompanied by a sharp increase in operating income, which reached approximately \$1.4 billion. This dynamic indicates that Palantir has entered a phase where growth and profitability are no longer in trade-off, but reinforce each other through operating leverage.



From a segment perspective, Palantir’s revenue base has become increasingly balanced over time. As shown in Figure 2, both government and commercial revenues have grown steadily, with the government segment remaining the largest contributor. However, the commercial segment has gained significant momentum, particularly in the United States, where demand has been driven by the rapid adoption of the Artificial Intelligence Platform (AIP). This reflects a structural shift in the company’s business model: while historically growth was largely supported by government contracts, commercial clients are now becoming a key driver of expansion, accounting for an increasing share of total revenue.



The strong growth observed in 2025 is also characterized by a high degree of geographic concentration. The United States continues to represent the majority of Palantir’s revenue, reflecting faster adoption rates of AIP among domestic enterprises and public institutions. While this provides a powerful engine for growth in the short term, it may also imply that future expansion will increasingly depend on the company’s ability to scale internationally.

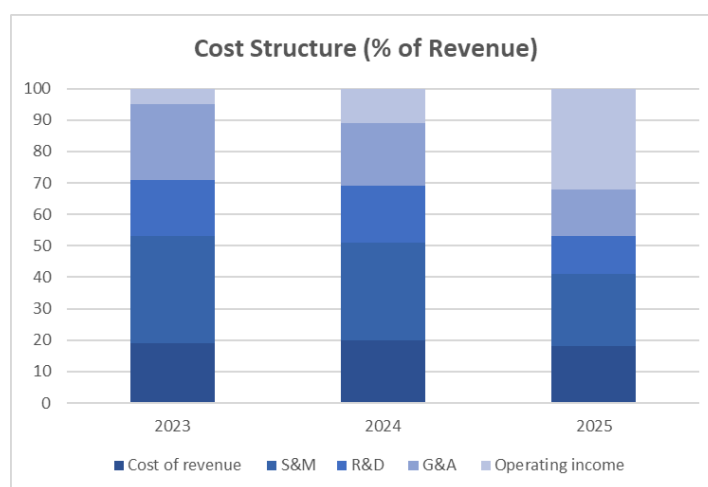
Margin expansion further confirms the improvement in the company’s operating profile. As summarized in Table 1, operating margin increased from 5% in 2023 to 32% in 2025, while net

margin rose from 9% to 31% over the same period. This evolution highlights Palantir’s ability to convert revenue growth into profitability, supported by higher-value contracts and improved cost efficiency. Overall, the combination of strong top-line growth and expanding margins suggests that the company has reached a new level of operational maturity.

Metric	2023	2024	2025
Revenue (\$m)	2230	2865	4475
Revenue Growth	17%	28%	56%
Gross Margin	81%	80%	82%
Operating Margin (GAAP)	5%	11%	32%
Operating Margin (Adj)	~25%	~30%	50%
Net Margin	9%	16%	31%
FCF (\$m)	731	1249	2270
FCF Margin	33%	44%	51%
SBC (\$m)	476	692	684
SBC % Revenue	21%	24%	15%
Customers	497	711	954

Cost Structure

The evolution of Palantir’s cost structure provides further evidence of its increasing scalability. As illustrated in Figure 3, operating expenses have grown at a significantly slower pace than revenues, resulting in a decline in their relative weight as a percentage of total revenue. While costs such as sales and marketing, research and development, and general and administrative expenses remain substantial in absolute terms, their proportional impact on revenue has decreased over time.



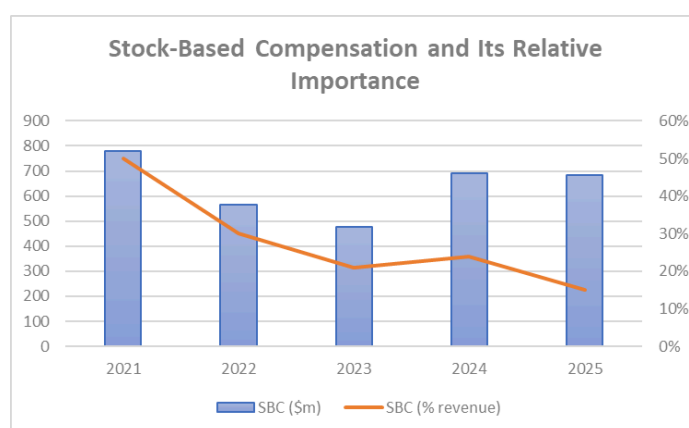
This trend reflects the inherent economics of a software platform. A significant portion of Palantir’s costs is fixed, particularly those related to platform development and infrastructure. Once these systems are established, additional clients can be onboarded at relatively low incremental cost. As a result, the company is able to expand margins as revenue increases, demonstrating strong operating leverage.

Importantly, the improvement in the cost structure is not driven by cost-cutting, but by efficiency gains and scale effects. Palantir continues to invest heavily in product development and go-to-market capabilities, particularly through initiatives such as AIP bootcamps, which accelerate client acquisition and deployment. The ability to maintain high levels of investment while simultaneously improving profitability is a strong indicator of a scalable and robust business model.

Stock-Based Compensation and Earnings Quality

Stock-based compensation (SBC) remains a significant component of Palantir’s cost structure and is essential for evaluating the quality of its earnings. As shown in Figure 5, SBC has remained relatively stable in absolute terms over the past years, but its importance relative to revenue has declined sharply, from over 50% in 2021 to approximately 15% in 2025.

This reduction represents a substantial improvement in earnings quality. While SBC does not involve immediate cash outflows, it constitutes a real economic cost in the form of shareholder dilution. Therefore, a high level of SBC can overstate profitability when using adjusted metrics that exclude it.



From an analytical perspective, it is important to distinguish between earnings with and without SBC. On a GAAP basis, Palantir’s profitability has improved significantly, reflecting genuine operational progress. However, adjusted margins present a more optimistic view of performance, as they exclude equity-based compensation. The declining trend in SBC as a percentage of revenue suggests that the gap between GAAP and adjusted earnings is narrowing, making reported profitability increasingly representative of the underlying economics of the business.

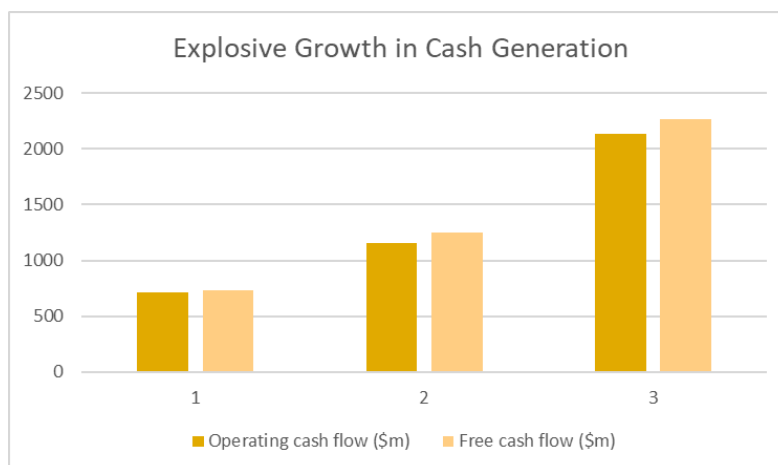
From an investor standpoint, this development is particularly relevant. As SBC becomes less material relative to revenue, the company’s earnings become more “cash-like” and less dependent on non-cash adjustments. This strengthens the credibility of Palantir’s profitability and supports its positioning as a mature software platform.

Cash Flow, Quality of Earnings, and Peer Benchmarking

One of the strongest aspects of Palantir’s financial profile is its ability to generate cash. As illustrated in Figure 4, both operating cash flow and free cash flow have increased significantly

over the past three years, reaching approximately \$2.1 billion and \$2.27 billion respectively in 2025. This corresponds to a free cash flow margin of over 50%, which is exceptionally high for a company experiencing such rapid revenue growth.

The strong cash generation confirms that Palantir's earnings are supported by real cash flows rather than purely accounting adjustments. This is particularly important when considering the impact of stock-based compensation, as cash flow metrics are less affected by non-cash expenses. The company's capital-light model further enhances this dynamic, as it requires limited capital expenditures, allowing a large portion of operating cash flow to be converted into free cash flow.



From a broader perspective, Palantir's financial performance compares favourably to its peers in the enterprise software sector. The company combines high revenue growth with strong profitability and exceptional cash generation, resulting in a financial profile that exceeds traditional benchmarks such as the Rule of 40. This combination is relatively rare, as most software companies typically exhibit a trade-off between growth and profitability.

Overall, the combination of strong cash flow, improving earnings quality, and scalable growth positions Palantir among the top-performing companies in the enterprise software industry. While stock-based compensation remains a relevant factor in assessing valuation and long-term shareholder returns, the company's financial trajectory suggests that it has successfully transitioned into a more mature and financially robust stage of development.

Valuation (DCF + Multiples) & Conclusion

5.1 Assumptions

5.1.1 Forecast Horizon

We use a 10-year explicit forecast horizon (2026–2035), followed by a terminal period. A longer horizon is warranted given Palantir's exposure to multiple compounding growth engines: AIP-led enterprise adoption, durable government contracts, and early-stage international expansion. The convergence of GAAP and adjusted profitability, evidenced by a 32% GAAP operating margin in 2025, supports visibility into sustained free cash flow generation across the forecast window.

5.1.2 Revenue Growth by Segment

We apply differentiated growth assumptions to the Government and Commercial segments to reflect their distinct demand drivers and visibility profiles. Government revenue, underpinned by multi-year mission-critical contracts with the U.S. Army, intelligence agencies, and NATO-allied institutions, is modelled to grow at structurally elevated rates in the near term (~63% in FY26E) before decelerating as the installed base matures. Commercial revenue, driven by the AIP bootcamp model which compresses sales cycles from months to days, is forecast at ~79% growth in FY26E, reflecting the ongoing inflection in enterprise AI infrastructure adoption. Growth normalises toward mid-single digits in the terminal years as penetration in large enterprise markets approaches saturation.

Metric	2023 A	2024 A	2025 A	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E
Revenue (\$M)	2,225	2,866	4,475	7,635	11,715	16,480	22,156	27,509	33,156	38,129	42,324
Growth (%)	17%	29%	56%	71%	53%	41%	34%	24%	21%	15%	11%
Government (\$M)	1,222	1,570	2,402	3,924	5,979	8,351	11,172	13,999	17,079	19,641	21,801
Commercial (\$M)	1,003	1,296	2,073	3,711	5,736	8,129	10,984	13,510	16,077	18,489	20,522

Table 1: Revenue Projections by Segment (\$M)

5.1.3 Operating Margin Assumptions

We model rapid EBIT margin expansion from 31.6% in 2025 to approximately 49.5% in FY26E, reflecting the operating leverage inherent in Palantir's platform-as-a-service model: each incremental dollar of revenue flows through with minimal marginal cost once the ontology is deployed. Near-term margin improvement is supported by declining SBC as a percentage of revenue (from ~50% in 2021 to ~11% in 2025), improving the quality of GAAP earnings. Over the medium term, margins converge toward a structural long-run level of ~58.5%, consistent with the economics of mature, high-margin enterprise software platforms. This trajectory reflects the blend between high-margin Government contracts and the rapidly scaling, increasingly profitable Commercial segment.

Metric	2023 A	2024 A	2025 A	2026 E	2027 E	2028 E	2029-3 5E
Non-GA AP EBIT (\$M)	120	310	1,414	3,782	6,624	9,318	12,971 — 27,440
EBIT Margin (%)	5.4%	10.8%	31.6%	49.5%	56.5%	56.5%	~58.5 %
FCFF (\$M)	185	335	913	4,854	7,263	9,895	13,060 — 22,201
FCF Margin (%)	8.3%	11.7%	20.4%	63.6%	62.0%	60.0%	~58–5 9%

Table 2: Operating Margin and FCFF Summary

5.1.4 Reinvestment and CapEx

Palantir is a capital-light business by design. CapEx requirements are modest, reflecting primarily software infrastructure and cloud costs rather than physical assets. We model CapEx as a low-single-digit percentage of sales, rising gradually in line with the scaling of data centre and cloud infrastructure to support AIP workloads. Working capital requirements remain minimal given the subscription-based, multi-year contract structure, which creates large deferred revenue balances that structurally fund operations. These dynamics allow the conversion of EBIT to free cash flow to remain exceptionally high across the forecast period.

5.2 WACC Calculation

We estimate Palantir's cost of equity using the Capital Asset Pricing Model (CAPM). Given Palantir's net cash position of \$8.2 billion and the absence of meaningful financial leverage, the WACC is effectively equal to the cost of equity. The risk-free rate is anchored to the yield on 10-year U.S. Treasury bonds. Beta is estimated using a peer-adjusted, unlevered approach based on comparables (Microsoft, Oracle, SAP, Palo Alto Networks), reflecting the long-term stable cash flow profile of Palantir's government segment, which reduces systematic risk relative to pure commercial software peers. The resulting WACC of 8.0% is used as the discount rate throughout the DCF model.

Parameter	Value
Risk-Free Rate (Rf)	4.14%
Beta (peer-adjusted, unlevered)	0.77
Equity Risk Premium (ERP)	5.00%
Cost of Equity (Re)	7.99%
Cost of Debt (Rd)	n/a (net cash)
Debt-to-Equity Ratio (D/E)	0.00x
Tax Rate	21.0%
WACC	8.0%

Table 3: WACC Components

5.3 DCF Valuation

5.3.1 Free Cash Flows to the Firm

The FCFF profile reflects the interplay between rapid revenue growth, aggressive margin expansion, and modest reinvestment requirements. In the early forecast years, FCFF grows sharply as AIP-driven commercial wins expand the revenue base while operating costs scale at a significantly slower pace. FCFF reaches approximately \$4.9 billion in FY26E, rising to \$22.2 billion by FY35E, representing a 10-year CAGR of approximately 29%. The table below presents the full DCF schedule.

Metric	2025 A	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033-35E
Revenue (\$M)	4,475	7,635	11,715	16,480	22,156	27,509	33,156	38,129	→46,871
EBIT (\$M)	1,414	3,782	6,624	9,318	12,971	16,105	19,411	22,322	→27,440
EBIT Margin	31.6%	49.5%	56.5%	56.5%	58.5%	58.5%	58.5%	58.5%	58.5%

NOPAT (\$M)	1,145	3,593	6,160	8,387	11,025	12,723	15,334	17,635	→21,678
Depreciation (\$M)	33	35	37	40	43	48	54	38	→42
Change in WC (\$M)	(287)	1,241	1,086	1,495	2,027	2,271	2,689	1,641	→523
CapEx (\$M)	(21)	(15)	(20)	(27)	(35)	(46)	(55)	(64)	→(42)
FCFF (\$M)	913	4,854	7,263	9,895	13,060	14,995	18,021	19,250	→22,201
Discount Factor	1.000	0.926	0.857	0.794	0.735	0.681	0.630	0.583	→0.463
PV FCFF (\$M)	913	4,494	6,227	7,855	9,600	10,205	11,356	11,232	→10,283

Table 4: DCF Projections (2025–2035E, \$M)

5.3.2 Terminal Value

Our terminal value is computed using the Gordon Growth Model applied to FY2035E FCFF of \$22.2 billion, which serves as the normalised free cash flow base. We apply a terminal growth rate of 4.5%, which sits above long-term nominal global GDP growth, reflecting Palantir's entrenched position as the AI operating layer for Western governments and large enterprises, and the structural expansion of AI infrastructure spending well into the 2030s. We acknowledge that a terminal growth rate above nominal GDP embeds an optimistic assumption around long-term competitive positioning, but consider it appropriate given Palantir's ontology-based architecture, high switching costs, and 139% net dollar retention, which together create durable compounding even at scale.

5.3.3 Present Value and Target Price per Share

Valuation Component	Value (\$M)
PV of FCFFs (2025–2035E)	94,416
PV Terminal Value	302,621
Enterprise Value	396,126
Net Cash (incl. equivalents)	8,219

Equity Value	387,907
Shares Outstanding (M)	2,571
DCF Implied Share Price	\$150.88
Current Share Price	\$133.99
Implied Upside	~12.6%
Rating	BUY

Table 5: DCF Valuation Summary

The resulting enterprise value of approximately \$396 billion and equity value of \$388 billion imply a fair value per share of \$150.88, representing approximately 12.6% upside from the current share price of \$133.99. The terminal value accounts for 76% of enterprise value, which reflects Palantir's long-duration growth profile and is consistent with other high-quality, compounding software platforms. Net cash of \$8.2 billion provides a meaningful buffer and supports the company's ability to invest in AIP development and potential M&A without recourse to dilutive equity issuance.

5.4 Relative Valuation

5.4.1 Peer Group

To cross-check the DCF, we benchmark Palantir against a peer group of high-growth enterprise software, cybersecurity, and AI infrastructure companies: Microsoft, Oracle, SAP, Snowflake, Palo Alto Networks, CrowdStrike, and ServiceNow. This group captures the primary dimensions of Palantir's business model: AI platform capabilities, enterprise data infrastructure, and government/regulated-industry software. Market capitalisations in the peer set range from approximately \$57 billion (Snowflake) to \$3.2 trillion (Microsoft), with Palantir's current market value of approximately \$345 billion placing it at the larger end of the non-hyperscaler cohort.

Company	Ticker	Price (\$)	Price Tgt	EV/Sales FY1	EV/EBITDA FY1	P/E FY1	EV/Sales FY2	P/E FY2
Microsoft	MSFT	421.9	559.6	9.9x	15.6x	25.1x	9.8x	21.7x
Oracle	ORCL	192.9	243.7	8.8x	18.6x	25.8x	10.7x	24.1x
SAP	SAP	167.5	243.5	4.5x	13.0x	20.0x	4.5x	17.1x

Snowflake	SNOW	157.5	225.8	11.3x	63.4x	88.0x	12.4x	65.1x
Palo Alto Networks	PANW	242.8	212.9	17.5x	56.3x	65.8x	20.1x	61.1x
CrowdStrike	CRWD	594.1	493.1	30.9x	88.5x	122.0x	31.6x	96.5x
ServiceNow	NOW	95.1	140.9	7.1x	15.9x	22.9x	6.9x	18.8x
Average	–	–	–	12.9x	38.8x	52.8x	13.7x	43.5x
Median	–	–	–	9.9x	18.6x	25.8x	10.7x	24.1x
Palantir (PLTR)	PLTR	133.99	150.88	65.9x	72.7x	92.4x	64.5x	65.0x

Table 6: Comparable Company Analysis — AI & Enterprise Software Peers

5.4.2 Multiples Analysis

Palantir trades at a significant premium to all peer averages and medians across every valuation multiple, reflecting the market's willingness to pay for its combination of hypergrowth, exceptional profitability, and unique positioning at the intersection of defense AI and enterprise automation. On an EV/Sales basis, Palantir trades at 65.9x FY1 revenues versus a peer average of 12.9x and median of 9.9x. On an EV/EBITDA basis, the current multiple of 72.7x compares to a peer average of 38.8x. This premium is structurally justified: Palantir's FY26E revenue growth of 71% far exceeds the peer median of approximately 15%, and its EBITDA margin of 60% at scale is among the highest in enterprise software. Applying peer-average multiples mechanically would yield implied prices of \$24–\$71 per share, substantially below current trading levels, confirming that Palantir is priced for continued outperformance on growth and margin delivery.

Multiple	Peer Avg	Base Metric (\$M)	Implied EV (\$M)	Implied Price
EV / Sales (FY1 avg 13.7x)	13.7x	4,475	61,309	\$23.89

EV / EBITDA (FY1 avg 38.8x)	38.8x	3,817	148,099	\$57.55
P / E (FY1 avg 52.8x)	52.8x	3,593*	—	\$70.60
DCF Intrinsic Value	—	—	396,126	\$150.88

Table 7: Multiples-Implied Valuation vs. DCF (*NOPAT used for P/E)

6. Conclusion

Palantir Technologies has completed a structural transformation that few high-growth software companies achieve: the simultaneous acceleration of revenue growth and expansion of GAAP profitability. Revenue grew 56% in 2025 to \$4.48 billion, GAAP operating margin reached 32%, free cash flow hit \$2.27 billion at a 51% margin, and the Rule of 40 score exceeded 127%. These are not incremental improvements — they reflect a step-change in the business's earnings power, driven primarily by the AIP bootcamp model which has more than doubled the commercial customer base to 571 clients and driven US commercial revenue to grow at triple-digit rates.

From a valuation perspective, our 10-year DCF model using a WACC of 8.0% and a terminal growth rate of 4.5% yields an intrinsic value of \$150.88 per share, representing approximately 12.6% upside from the current market price of \$133.99. While the premium to peer multiples may appear demanding in isolation — Palantir trades at 65.9x FY1 EV/Sales versus a peer median of 9.9x — this differential is justified by a growth profile that is categorically different from the comparables. FY26E revenue growth of 71% is more than four times the peer median, and the long-run EBIT margin trajectory of ~58.5% ranks among the highest achievable in enterprise software. The DCF captures this trajectory more accurately than trailing or near-term multiples.

The investment thesis rests on three structural pillars. First, the AIP and bootcamp model represents a durable competitive advantage: the ability to compress enterprise sales cycles from months to days, combined with an ontology that deeply embeds Palantir into client operations, creates high retention and organic expansion within the existing customer base. Second, the \$1.85 billion Government revenue base provides a resilient floor: these contracts are multi-year, mission-critical, and serve as credibility proof points that unlock commercial adoption in regulated industries. Third, the net cash position of \$8.2 billion and 51% FCF margin deliver financial flexibility that eliminates near-term refinancing risk and funds continued R&D investment and strategic partnerships.

We acknowledge the key risks to the thesis. The current valuation leaves limited room for execution missteps: any meaningful deceleration in AIP commercial adoption, U.S. government budget cuts, or hyperscaler encroachment into Palantir's market could compress multiples

sharply. Stock-based compensation, while declining (from over 50% of revenue in 2021 to ~11% in 2025), remains a material item that moderates the dilution-adjusted return profile. International revenue at 26% of total remains a significant underpenetrated opportunity but also a source of near-term forecast uncertainty.

On balance, we believe the risk-reward profile remains attractive for medium-to long-term investors. The combination of a durable government revenue base, a rapidly compounding AIP commercial franchise, and best-in-class free cash flow economics justifies the premium multiple and supports continued multiple expansion as Palantir delivers on its 2026 growth targets. The sensitivity analysis confirms that the BUY recommendation holds across a wide range of discount rate and terminal value assumptions, with the bear case implying a share price of approximately \$92 and the bull case pointing toward \$351. We therefore initiate coverage on Palantir Technologies, Inc. (NASDAQ: PLTR) with a BUY recommendation and a 12-month target price of \$150.88 per share.

Company	Rating	Target Price	Implied Upside
Palantir Technologies, Inc. (NASDAQ: PLTR)	BUY	\$150.88	+12.6%

Figure: Investment Summary