Initiating Coverage:

Palantir

Palantir Joins Forces to Defend with Data

Key Take-away: A strategic partnership between two massive U.S government defense vendors is paving the path for both companies to focus on what they do best. L3Harris (NYSE: LHX) is a cutting-edge military hardware company that aligns well with Palantir's offering, and their partnership will allow for significant technological advances and allow each other to complement the other through Palantir AI system (AIP) being paired with L3harris' sensor and software systems.

AIP: The biggest trailblazer for Palantir recently has been through the advancement of their Artificial Intelligence Platform (AIP). AIP has significantly expanded the market segments that Palantir has been able to target. Prior to AIP, Palantir's primary market was in the government sector in defense applications of data processing. However, due to the AIP, the commercial sector is starting to look more promising for the firm. In healthcare, Nebraska Medicine has used their technology to improve hospital bed turnover heavily leading to higher efficiency.

Oiling up: Palantir also strengthened current contracts with oil powerhouse BP for an additional 5 years in a deal worth millions of dollars. BP has been a partner of Palantir since 2014, and this deal will extend them through 2029. This came along with another big oil deal in late September, where Palantir extended their partnership with APA corporation, another big player in the oil space. Overall, through strategic partnerships in various sectors, PLTR has given investors optimism for a strong future.

Valuation: We initiate coverage with a $83.00 PT.

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Peer Comparisons

Comparable Companies					
$mm					
Ticker	**Mkt Cap**	**EV**	**P/E LTM**	**Revenue LTM**	**EBITDA LTM**
Snowflake Inc. (NYSE:SNOW)	$ 56,932	$ 54,483	-50.9x	$ 3,414	$ (1,213)
Datadog, Inc. (NasdaqGS:DDOG)	$ 52,936	$ 50,706	299.7x	$ 2,536	$ 116
Salesforce, Inc. (NYSE:CRM)	$ 341,869	$ 341,290	58.9x	$ 37,189	$ 9,559
Nutanix, Inc. (NasdaqGS:NTNX)	$ 17,761	$ 17,390	-213.8x	$ 2,229	$ 129
Palantir Technologies	$ 172,560	$ 168,344	378.8x	$ 2,646	$ 398

Ticker	**LTM EV/EBITDA**	**Gross Margin**	**EBITDA Margin**	**EBIT Margin**	**1 Yr Rev Growth Rate LF**
Snowflake Inc. (NYSE:SNOW)	44.9x	67.3%	(35.5%)	(39.1%)	30.3%
Datadog, Inc. (NasdaqGS:DDOG)	-437.5x	81.2%	4.6%	2.9%	26.3%
Salesforce, Inc. (NYSE:CRM)	-35.7x	76.9%	25.7%	19.7%	9.5%
Nutanix, Inc. (NasdaqGS:NTNX)	-134.9x	85.4%	5.8%	2.6%	14.9%
Palantir Technologies	-423.3x	81.1%	15.0%	13.8%	24.5%

Source: CAPIQ

Company Overview

Company Description: Based in Palo Alto, California, Palantir Technologies is a company that specializes in data analytics and software. Their two primary platforms are Palantir Gotham, which is designed for government and the defense sector, and Palantir Foundry, a more commercially targeted product to aid enterprises in making data driven decisions. Palantir operates on a subscription-based model, where they enter contracts with clients, both government and commercial, for their services. Their contracts are primarily long-term ones, and this has led to high customer retention over time, with very little turnover. With the importance of understanding data in the world becoming more relevant every day across most sectors, Palantir has created a strong position across defense, and has a rising capability in markets like energy, healthcare, and logistics.

Diversification of Products: Although Palantir's revenue is still primarily in the government/defense sector, their diversification is an edge that looks to be vital for consistent long-term growth for the company. Their effective strategy breaking into other industries like healthcare to improve efficiency has proven incredibly successful. Their growing commercial presence is projected to continue to take a larger percentage of their overall revenue as the company grows even as they continue to take more market share in US government spending.

Investor sentiment: Palantir trades at a high premium compared to its peers, trading at a 59x price to sales multiple sales, far exceeding industry averages. Investors are very bullish in the company, especially after their Q3 earnings call, where they beat expectations on earnings by 30% and further established themselves as a leader in the data analytics space.

Industry Overview

Rise of AI: Across the tech industry, the thing that no one can seem to keep quiet about is the role of artificial intelligence and machine learning and their applications across every industry. AI has been a key enabler of efficiency and analytics in today's world and is only growing and becoming further integrated into the world. Palantir is a direct benefactor to this growing industry trend as they operate in the intersection of AI integration and data analytics.

Intersection of Cloud Computing and Data: As stated before, data has a growing role in cutting across every industry, and cloud platforms are taking full advantage of this market opportunity. Cloud platforms allow companies and organizations to use large datasets and get actionable insights. Palantir, being one of the leaders in this space, is at a position to take advantage of this growing demand of organizations increasingly relying on cloud-driven solutions.

Cybersecurity's growing role: Digital adoption across the market has created a growing market for cybersecurity. As more organizations process data on a large scale, keeping sensitive information private and secure becomes paramount. Cybersecurity creates opportunities and challenges in the marketplace and can be an enticing part of a company's offering. With a company like Palantir, their strong standing with the U.S government has been a source of credibility for their cybersecurity capabilities. Overall, data security is one of the paramount issues in the age of AI and the world going digital.
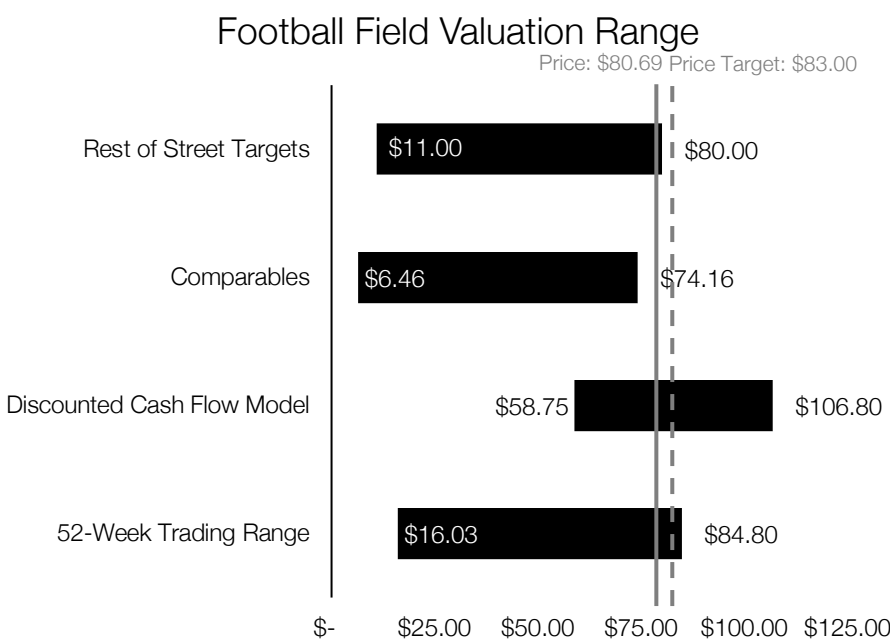
Investment Theses

AI benefactor: Palantir's AIP is still incredibly young, only being released in 2023, but has become one of the most important parts of the business model and is only continuing to become more valuable for the company. With data continuing to become more and more integral to the world we live in, AIP should grow over the next year as the variety of sectors AIP is applicable in increases, Palantir should sustain strong growth.

Political Forces: With the recent United States election, and Donald Trump being elected, the U.S defense budget is expected to rise. During Trump's first tenure in the White House, defense spending rose $225 billion above projected numbers, and a similar trend is expected to follow in his next term. With the U.S government being one of Palantir's top clients, a rise in the defense budget will positively impact PLTR's growth in the next year.

Price Target & Valuation

Our analysis gives $PLTR a price target of $83.00 and an equal weight rating.

Football Field Valuation Range

Price: $80.69 Price Target: $83.00

Rest of Street Targets	$11.00	$80.00
Comparables	$6.46	$74.16
Discounted Cash Flow Model	$58.75	$106.80
52-Week Trading Range	$16.03	$84.80

$- $25.00 $50.00 $75.00 $100.00 $125.00

Potential Downsides to Our Rating

General execution risk: With breaking into the commercial sector, there are many potential competitors in the AI data analytics space that can compete with Palantir which could make capturing significant market share in the commercial space difficult, especially for a company that has primarily been operating in the government sector. Operating in a sector where they don't have experience can result in less than flawless execution and would impact profitability in new sectors.
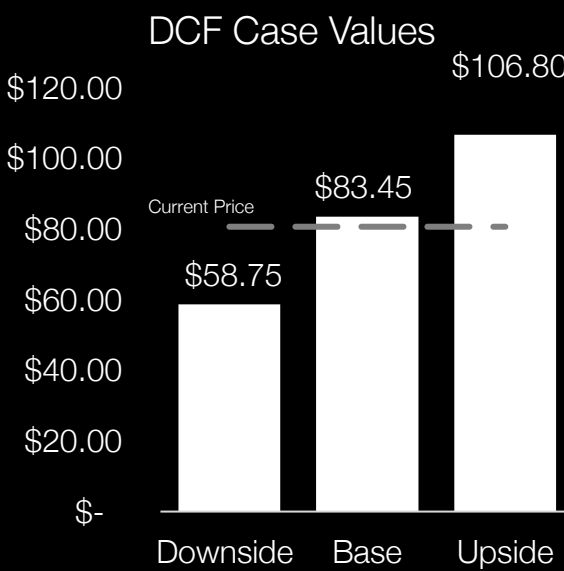
Priced for perfection: Due to positive investor sentiment Palantir is priced at a point where they have to perform close to perfection to justify their valuation. Failure to reach these ambitious targets will result in their price target not being hit and their current valuation at market will exceed what the company's future will entail.

Reliance on top customers: Palantir's top customers make up a majority of their overall revenue. Being very top heavy in terms of reliance on revenue can significantly impact overall stability for growth projections. Small amounts of turnover have the potential to make large changes in revenue numbers and result in profitability prospects being reduced.

Our Price Target: $83.00
Our PT is based on the continuous growth of AI in the market in both government and commercial applications and Palantir's ability to continually stay ahead the curve and expand their AI platforms into more industries to maintain steady growth over the next 5-10 years.

Our Upside Case: $106.00
Our upside case is based on Palantir being able to successfully break into the commercial sector and sustain strong growth through their revenue drivers

Our Downside Case: $58.00
Our downside case is based on Palantir not having strong growth in the commercial sector and start to lose market-share to other AI data analytics companies.

DCF Case Values

$106.80

$120.00

$100.00

$83.45

Current Price

$80.00

$58.75

$60.00

$40.00

$20.00

$-

Downside   Base   Upside

Projections

EBIT Waterfall Chart

Legend: Increase, Decrease, Total

Data labels on chart: 5.4%, 15.0%, 10.0%, 5.0%, 2.6%, 38.0%

X-axis categories: EBIT (%) 2023, Revenue growth, Decrease in Sales/marketing, AI solutions demand, Mix/Other, EBIT (%) 2029
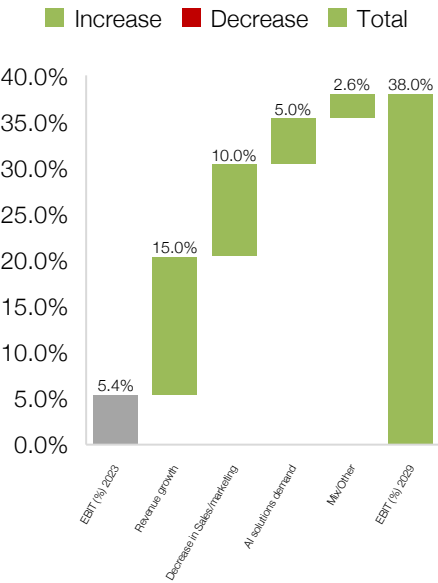
Income Statement ($mm)	2023A	2024E	2025E	2026E	2027E	CAGR%
Revenue	2,225	2,807	3,308	3,805	4,268	17.7%
EBITDA	153	1,047	952	1,196	1,453	75.4%
EBIT	120	1,014	913	1,149	1,400	84.8%
EBIAT	(589)	(1,161)	(443)	(171)	100	N/A

Margin & Growth Data	2023A	2024E	2025E	2026E	2027E	AVG%
EBITDA Margin	6.9%	37.3%	28.8%	31.4%	34.0%	27.7%
EBIT Margin	5.4%	36.1%	27.6%	30.2%	32.8%	26.4%
Revenue Growth	16.7%	26.1%	17.9%	15.0%	12.2%	17.6%
EBIT Growth	-174.4%	745.2%	-10.0%	25.9%	21.8%	121.7%

Valuation Metrics	2023A	2024E	2025E	2026E	2027E	AVG%
P/FCF	-205.5x	-173.6x	-385.8x	-2446.6x	-21432.9x	-4928.9x
EV/Sales	70.6x	56.0x	47.5x	41.3x	36.8x	50.4x
EV/EBITDA	4697.4x	4767.6x	3967.1x	3371.4x	2940.1x	3948.7x
FCF Yield	-0.5%	-0.6%	-0.3%	0.0%	0.0%	-0.3%

About $PLTR

Palantir Technologies Inc. ($PLTR), founded in 2003 and headquartered in Denver, Colorado, operates globally with a focus on the United States and Europe. The company specializes in developing data integration and analytics platforms, primarily under its three main business segments: **Foundry** (for commercial applications), **Gotham** (for government solutions), and **Apollo** (for continuous software delivery). Palantir's platforms support mission-critical operations, enabling organizations to aggregate, analyze, and act on large-scale data with applications in areas such as defense, healthcare, financial services, and supply chain management. Known for its strong relationships with government clients, Palantir aims to drive operational efficiency, improve decision-making, and support complex, data-driven initiatives.

Disclosures & Ratings

Appendix

Palantir Technologies
Discounted Cash Flow

Active Case:	2 Base

Current Share Price $69.24

DCF Analysis ($mm)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Stub						0.04	0.04	0.04	0.04	0.04	0.04
Discount Period						0.02	0.54	1.54	2.54	3.54	4.54
Revenue	742.55	1,092.68	1,541.89	1,905.88	2,225.01	2,806.50	3,414.22	4,057.16	4,705.26	5,321.04	5,862.32
Revenue Growth	*0%*	*47%*	*41%*	*24%*	*17%*	*26%*	*22%*	*19%*	*16%*	*13%*	*10%*
Revenue Breakdown 1	345.52	610.20	897.36	1,071.78	1,222.21	1,514.11	1,895.67	2,310.82	2,740.63	3,159.94	3,539.14
Revenue Breakdown 2	397.03	482.48	644.53	834.10	1,002.80	1,292.39	1,518.56	1,746.34	1,964.63	2,161.10	2,323.18
Other Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	(576.40)	(1,173.70)	(411.00)	(161.20)	119.97	1,014.00	1,092.55	1,379.43	1,693.89	2,022.00	2,344.93
EBIT Margin	*-78%*	*-107%*	*-27%*	*-8%*	*5%*	*36%*	*32%*	*34%*	*36%*	*38%*	*40%*
Tax Expense	12.37	(12.65)	31.92	10.04	19.72	19.72	229.44	289.68	355.72	424.62	492.43
Effective Tax Rate	*-2%*	*1%*	*-8%*	*-6%*	*16%*	*2%*	*21%*	*21%*	*21%*	*21%*	*21%*
NOPAT	(588.77)	(1,161.05)	(442.92)	(171.24)	100.24	994.28	863.12	1,089.75	1,338.18	1,597.38	1,852.49
D&A	12.30	13.90	14.90	22.50	33.40	32.60	40.60	49.37	58.56	67.70	76.21
Capex	13.10	12.20	12.60	40.00	15.10	16.38	22.77	30.44	39.22	48.78	58.62
Changes in NWC	(165.40)	265.00	46.90	146.80	(92.50)	2.40	29.65	67.00	114.54	171.18	234.49
UFCF	(767.27)	(908.25)	(408.62)	(64.44)	(7.36)	1,008.10	851.30	1,041.69	1,242.99	1,445.11	1,635.59
PV of FCF						1,004.90	786.76	832.81	859.63	864.55	846.45

Terminal Value	
Perpetuity Growth Method	
2029 FCF	$1,636
Growth	3.00%
Terminal Value	$12,980.85
PV of Terminal Value	$6,717.89
PV of Projection Period	$5,195
PV of Terminal Value	$6,718
Implied TEV	**$11,913**
(-) Debt	$255
(+) Cash	$769
Implied Equity Value	$12,427
Basic Shares Outstanding	2277
Implied Share Price	**$5.46**
Upside/Downside	-92%

Implied BF EV/EBIT	11.75x

Terminal Value	
Exit Multiple Method	
2029 Sales	$5,862
EV/Sales Exit Multiple	70x
Terminal Value	$410,362
PV of Terminal Value	$183,713
PV of Projection Period	$5,195
PV of Terminal Value	$183,713
Implied TEV	**$188,908**
(-) Debt	$255
(+) Cash	$769
Implied Equity Value	$189,422
Diluted Shares Outstanding	2277
Implied Share Price	**$83.19**
Upside/Downside	20%

Implied PGR	-0.40%

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.24%
Beta	2.84
Risk Free Rate	4.61%
Cost of Equity	16.58%
Weighted Average Cost of Debt	5.27%
Tax Rate	21.00%
Cost of Debt	0.01%
Total Equity	$157,661
Total Debt	$255
Equity/Total Capitalization	99.70%
Debt/Total Capitalization	0.30%
WACC	15.60%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	**$83.19**
Upside/Downside	20.1%