

Investment Analysis



***Disclaimer:** 2020 IPO, Only 22 Quarters of data available (from year before IPO)

Buy/Sell/Hold Recommendation

Long Term Buy

Despite high PE...

Blistering revenue/profit growth & great contribution margin

Deep Government connections provides stable government contract revenue

AI enterprise adaptation is still in early stages

Potential growth in commercial sector



Who are they?

- Data services & analytics company
- Mix of government and commercial contracts (more on this soon)
- Big player in Enterprise AI integration
- Will likely continue to benefit from further innovations in GenAI

“We build software that empowers organizations to effectively integrate their data, decisions, and operations at scale.”

Stock Price: \$42.70

12 month share price growth:
163.58%

Market Cap: \$96.23B

P/E Ratio_(trailing): 253.6

5-Year Revenue CAGR: 30.2%

- https://finbox.com/NYSE:PLTR/explorer/total_rev_cagr_5y/

Military/CIA



CIA - Palantir was initially funded by the CIA's **venture capital arm** in 2003 and became a key client, using Palantir's software for intelligence work

U.S. Military - Palantir has long-standing contracts with the Department of Defense, supplying tools for **battlefield intelligence**, logistics, and operations

ICE - Palantir has worked with ICE for over a decade, providing data and **surveillance** tools for immigration enforcement

Length of Relationship - Palantir's government contracts span almost **20 years**, with continued expansion in defense, intelligence and healthcare sectors

Alex Karp - Co Founder & CEO

- PhD in Neoclassical Social Theory from Goethe University
- Eccentric
- Says to shareholders “I will make you rich”
- Ideologically attractive to some people/strong beliefs
- Vehemently advocates for strength of US State (particularly military)



...Peter Thiel...



Who is Peter Thiel?

Co-founder of Palantir, Paypal, first outside investor of Facebook

Has strong ties in Silicon Valley, Politics and other Government sectors

Oversaw Trump's transition team in 2016

Mentored Republican Vice-Presidential candidate JD Vance

Guarantees stability in future government contracts



Do Long-Term Assets Matter?

2023 Annual Benefit from PPE = \$41,386,115.82 As % of Revenue = 1.86%

2019 Annual Benefit from PPE = \$67,295,416.90 As % of Revenue = 9.06%

Correlation Coefficient between growth in PPE and growth in Revenue = 0.41



What Matters?

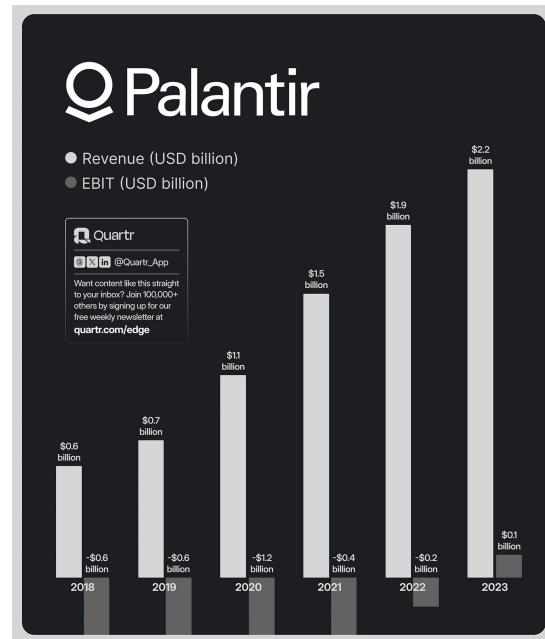
Palantir's ability to secure contracts

Undiscovered ways to use Palantir's software

Emergence of AI and LLM's help integration

55% of Revenue comes from Government Contracts 45% from Commercial Contracts

As AI grows and as costs decrease Palantir can expand their Commercial Sector Business



CM Estimate and Adjusted R-square

After running the regressions, the results were:

- **Estimated CM = 0.843573**
- **Adjusted R-square (improved model) = 0.131362**

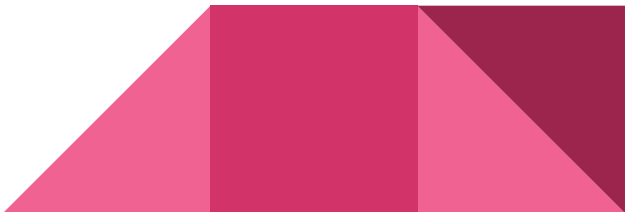


High Contribution Margin

- Software-Based Business Model
- Low Variable Costs
- High-Value Contracts
- Economies of Scale



Method of Comparison

- **Palantir**: Data analytics, specialized in government and enterprise
 - **Salesforce**: CRM platform, manages and analyzes customer data
 - **Datadog**: Cloud monitoring, real-time infrastructure and data analytics
 - **Snowflake**: Cloud data warehousing, scalable storage and analytics solutions
 - Sort of fulfill different niches
 - Emerging industry - Difficult to find direct comparisons
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Financial Ratios	Palantir (PLTR)	Snowflake (SNOW)	Datadog (DDOG)	Salesforce (CRM)	Median Ratio	Mean Ratio
Price/Book (P/B)	38.12	9.7	17.92	4.87	9.7	10.83
Price/Earnings (P/E)	253.6	-39.07	288.53	51	51	100.15
Price/Sales (P/S)	23.74	12.38	17.68	7.78	12.38	12.61

Trades at premium...

Why?



Quantitative

- High **Contribution Margin** Estimated CM = 0.843573
- **Low Variable Costs:** Software-based business model ensures low variable costs and high profitability
- **Economies of Scale:** High-value contracts allow Palantir to benefit from scaling operations
- **Revenue Diversification:** 55% from government contracts, 45% from commercial customers, suggesting balanced growth prospects

Qualitative

- **Leadership:** Alex Karp and Peter Thiel provide strong leadership and influence in tech and government sectors.
- **Government contracts:** Over 20 years of stable contracts with government entities
- **Innovation in AI:** Palantir is a leader in enterprise AI integration, with potential growth in commercial AI sectors driven by emerging AI technologies.
- **Reputation:** High credibility from leadership ties and influence in defense, tech, and government sectors.

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