AZ STOCKS
Stocks from A to Z

Palantir

A very high-quality company growing 90%, but at a price that requires everything to go right for a decade

DEEP DIVE

November 2026

COMPANY PROFILE

Palantir

THESIS

Palantir has built one of the most differentiated software platforms in the world, combining defense, government and enterprise AI. The analysis assesses what a company that could become one of the main beneficiaries of the AI revolution is really worth.

THE COMPANY

Palantir was founded in 2003 by Peter Thiel, Alex Karp and other partners to help the US intelligence community integrate and analyze scattered data.

Today it sells its platforms (Gotham, Foundry and AIP) both to the Pentagon and intelligence agencies and to banks, insurers, airlines, hospitals and industrial companies. Its core is the "ontology", a model that connects operational data with each organization's decisions.

TARGET PRICE
USD 68

UPSIDE / DOWNSIDE
-57.6%

SECTOR
Software

EXCHANGE
NASDAQ

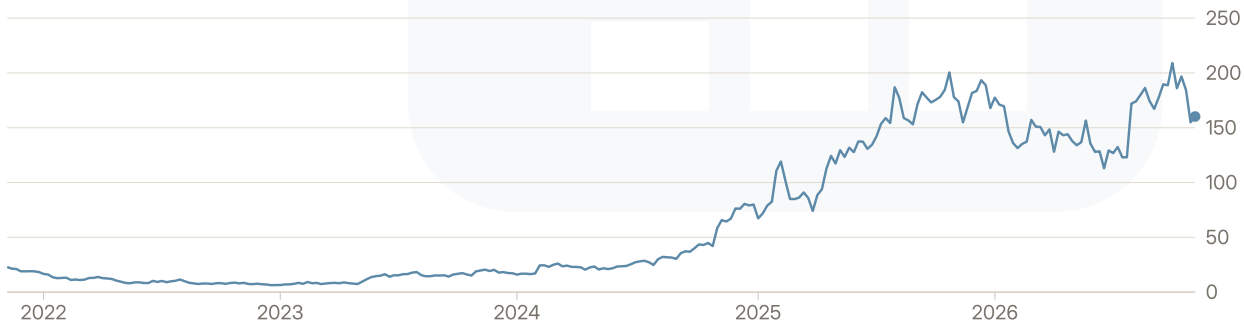
CURRENCY
USD

LAST UPDATED
November 2026

MARKET DATA AS OF 2026-11-06

PRICE	52-WEEK RANGE	5-YEAR CHANGE	BETA (5Y)
USD 160.19	106.37 – 212.94	+602%	1.72

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

Introduction

Palantir Technologies is one of the most controversial software companies currently listed on the Nasdaq, and also one of the most difficult to value using traditional tools. Founded in 2003 by Peter Thiel, Alex Karp, Joe Lonsdale, Stephen Cohen, and Nathan Gettings, it was established with a very specific goal: to help the U.S. intelligence community integrate and analyze scattered data after the September 11 attacks, with initial backing from In-Q-Tel, the CIA's venture capital arm. More than twenty years later, that same architecture of data integration, semantic modeling, and artificial intelligence has become a platform that sells solutions to the Pentagon and U.S. and allied intelligence agencies, as well as to insurers, banks, airlines, hospitals, and industrial manufacturers.

The correct way to analyze it is not as a defense company, nor as a simple analytics software provider, but as a decision infrastructure: a system that connects raw operational data (sensors, transactions, logistics records, intelligence reports) with a semantic model (the "ontology") upon which applications, operational workflows, and, since 2023, large language models run through its Artificial Intelligence Platform (AIP). This ontology, according to the company's own thesis, is what differentiates Palantir from a simple data repository: it transforms a row in a database into a real-world concept (a "tank" with a fuel level and location, or a "customer" with a payment history and fraud risk) upon which AI can reason and act with traceability and control.

2026 is confirming that the company is going through its own inflection point driven by generative AI. In the third quarter revenue reached USD 2.313 billion, **up 96% year over year**, the highest rate in its history as a public company. US commercial grew 148% and, for the first time, became larger than the US government business, which grew 96%. Adjusted operating margin was 62%.

The stock traded above USD 207 at the end of 2025, fell to the USD 106-113 range in mid-2026 amid a broad correction in AI stocks, and rallied strongly after second- and third-quarter results. Today it trades around USD 160, more than 100 times expected 2026 earnings.

In this report we will examine the business model and its various layers (Gotham, Foundry, Apollo and AIP), the historical and recent financial performance with its corresponding vertical and ratio analysis, the management team and corporate governance structure, the company's specific regulatory and reputational risks, the competitive environment under the framework of Porter's five forces, a SWOT analysis, and finally a discounted cash flow valuation constructed with three scenarios (Best, Base and Worst Case) and two terminal value methods, along with a conclusion on what assumptions are needed to justify the current share price.

SECTION 02

Business model

Palantir's business model combines software subscriptions, long-term contracts, expansion within existing clients, and services necessary to implement solutions in complex environments. Unlike a traditional horizontal SaaS, Palantir doesn't typically sell a simple tool that a customer can simply activate with a credit card. The sale usually stems from a specific operational problem: integrating data, building an ontology (creating a "logical map" of how a company works) , connecting systems, improving a critical decision, or automating a process with AI.

This characteristic gives Palantir a unique dynamic. On the one hand, sales cycles can be longer, and implementation may require close collaboration with the client. On the other hand, once the platform is integrated into critical processes, switching costs can be very high. If Foundry, Gotham, or AIP become part of an organization's nervous system, operational dependence can be significant.

The model typically progresses in three stages. First, Palantir enters with a limited use case, where it attempts to demonstrate rapid value. Then, if that use case is successful, it expands the platform to other areas of the client's business. Finally, in the best-case scenarios, the platform becomes a cross-cutting layer upon which applications, decision flows, and automations are built. This is where the true economic power of the model emerges: *landing and expanding* with increasingly complex contracts.

With AIP, Palantir sought to accelerate this process through bootcamps. The idea is to move from a conceptual sale to an applied demonstration of real-world customer problems. Instead of selling the abstract promise of AI, Palantir shows how a model can interact with internal data, permissions, business rules, and possible actions. If the customer sees an impact within days, the sales conversation shifts.

The model has a very attractive financial structure as it scales. The gross margin is high, capex is low relative to sales, and the company already generates significant cash flow. This sets it apart from many more capital-intensive AI stories, such as data centers, semiconductors, or cloud infrastructure. Palantir is participating in the AI wave from a software layer, not from a physical layer that requires billions of dollars in assets.

Gotham

Gotham is Palantir's original platform and represents the company's origins. It is designed for government, defense, intelligence, security, and critical operations. Its primary function is to integrate data from multiple sources and enable teams with varying permissions to analyze information, detect patterns, and make coordinated decisions.

Gotham's value lies not in visually displaying data, but in operating in contexts where data is sensitive, permissions are complex, and speed can be critical. In defense, for example, information can come from sensors, satellites, field reports, logistics, or intelligence. The challenge is not just storing that data, but transforming it into a coherent operational picture.

This business model has clear advantages. Government clients are typically hard to win, but also hard to lose once the software becomes an integral part of their operations. Barriers to entry aren't limited to the product itself: they include authorizations, institutional trust, track record, security, integration, and process knowledge. That's why Gotham remains a core component of Palantir's strategy.

The risk is that government business also depends on public budgets, political cycles, administrative processes, and reputational sensitivity. Palantir operates in areas where controversy is inevitable. This exposure can be a strength when Western governments prioritize defense and intelligence, but also a limitation in certain markets or with certain clients.

Foundry

Foundry is Palantir's bridge to the commercial world. Its goal is to enable large enterprises to integrate data, build an operational representation of their business, and develop internal applications on top of that. Foundry can be used in manufacturing, healthcare, energy, financial services, consumer goods, logistics, or any industry where operations are complex.

Foundry's most important concept is ontology. Palantir uses this word to describe a digital representation of the business: products, customers, plants, suppliers, contracts, orders, routes, assets, permissions, risks, and processes. It's not simply about cleaning databases. It's about giving meaning to the data and connecting it to how real decisions are made.

This layer is especially relevant for AI. A language model without business context can be useful for general tasks, but it can't make decisions about inventory, margins, logistics, or customers if it doesn't understand the organization's internal structure. Foundry aims to be that context layer. If the ontology becomes central, the platform's value increases, and so do the switching costs.

The business challenge is that Foundry competes in a market saturated with alternatives. Companies can use Microsoft, Snowflake, Databricks, ServiceNow, Salesforce, Oracle, hyperscalers, consulting firms, or in-house development. Palantir has to demonstrate that its operational approach generates more value than simply combining existing tools. AIP appears to have improved its proof of value, but competition will remain fierce.

Apollo

Apollo is less visible to investors, but it's a key component. It allows for the deployment, management, and updating of software in very different environments: public cloud, private cloud, on-premises, disconnected networks, or classified systems. For a company working with defense and mission-critical organizations, this capability is no small technical detail.

Many software companies are designed to operate almost exclusively in the public cloud. Palantir cannot assume that. Its customers may have security, data sovereignty, or connectivity constraints. Apollo helps platforms run where the customer needs them, without losing the ability to be updated and maintained.

From an economic standpoint, Apollo is important because it increases the scalability of the business model. If each deployment depended on manual work, Palantir would have less room to grow without incurring additional costs. Automating deployments and updates is essential for maintaining high margins.

AIP

Generative artificial intelligence opened up a huge demand, but it also exposed a practical problem: many companies can test models, but few can put them to work in real processes, with security, permissions, auditing and the ability to act.

AIP seeks to solve that problem. The platform allows you to connect language models with internal data, ontologies, operating systems, and business rules. It also allows you to build agents, automations, and applications, but within a governed framework. For Palantir, this point is central: enterprise AI needs control, not just creativity.

A simple example helps illustrate this. A company might ask a model which plant is most at risk of delays or which supplier is causing problems. But to provide a useful answer, the model needs to know which plants are involved, what orders are pending, what inventory is available, which contracts apply, what permissions each user has, and what actions can be taken. AIP aims to bring AI down to that level of context.

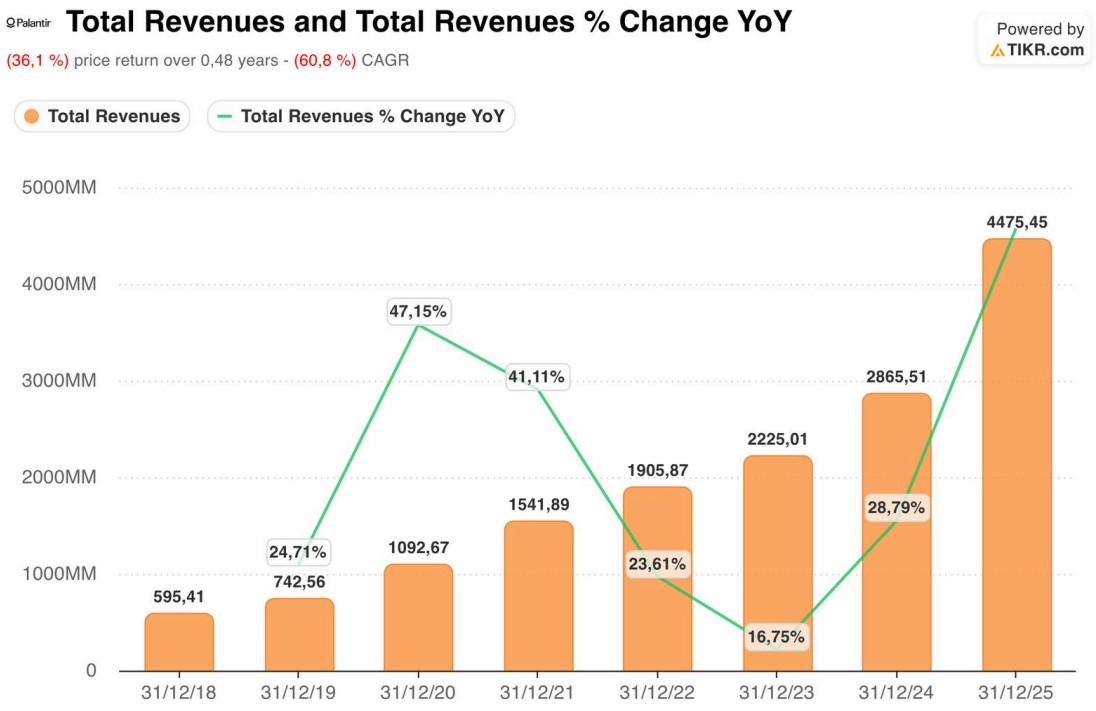
AIP's bootcamps also changed the go-to-market approach. Palantir doesn't expect customers to fully understand the architecture before purchasing. It aims to demonstrate value quickly with a real-world use case. This reduces the time between initial curiosity and implementation. The growth of the US commercial segment suggests this strategy is working, although it remains to be seen how it will perform with a much larger customer base.

According to the bullish view, AIP is the piece that transforms Palantir into a core enterprise AI platform. According to the bearish view, AIP could be a powerful but not unique layer, facing competition from Microsoft, hyperscalers, data platforms, and internal solutions. The difference between these two interpretations perhaps explains much of the current valuation.

SECTION 03

Business quality

Revenue



Source: Tikr.

Between 2018 and 2025, Palantir's revenue grew from approximately USD 595 million to USD 4.475 billion. This represents a more than sevenfold increase in revenue over seven years. While the growth wasn't linear, it does demonstrate a clear trend: the company successfully transitioned from a relatively small revenue base to a significant player in the enterprise software industry.

The most striking figure is the recent acceleration. After growing 16.7% in 2023 and 28.8% in 2024, Palantir accelerated strongly again in 2025, reaching 56.2% growth. This acceleration coincides with the adoption of AIP and the explosive growth of the commercial business in the United States.

For 2026, the company's own guidance, raised again in November, points to revenue of USD 8.53 billion, **91% growth** over 2025.

Latest results: third quarter of 2026

On November 2 Palantir reported its third-quarter results. Once again, the numbers beat expectations:

- **Revenue:** USD 2.313 billion, +96% year over year and +20% versus the previous quarter.

- **US commercial:** USD 984 million, +148%. For the first time it is larger than the US government business (USD 953 million, +96%).
- **Profitability:** adjusted operating margin of 62% and net income of USD 1.13 billion, more than double a year earlier. The "rule of 40" (growth plus margin) reached 158.
- **Contracts:** 212 deals of more than USD 1 million in the quarter and US commercial remaining deal value of USD 6.517 billion (+79%).
- **Cash:** USD 10.4 billion, no debt, with a 53% adjusted free cash flow margin.

The company raised its 2026 guidance: revenue of USD 8.53 billion (+91%), US commercial revenue above USD 3.56 billion and adjusted operating income of about USD 5.25 billion. The stock, however, fell about 3% after the release: at these multiples, the market already expects Palantir to beat expectations every quarter.

Vertical analysis

INCOME STATEMENT

Fiscal year Income Statement — % of revenue	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods Sold	(27.7%)	(32.6%)	(32.3%)	(22.0%)	(21.5%)	(19.4%)	(19.7%)	(17.6%)	**(18.9%)**	**(20.0%)**
Gross Profit	**72.3%**	**67.3%**	**67.7%**	**78.0%**	**78.5%**	**80.6%**	**80.3%**	**82.4%**	**81.1%**	**79.9%**
Selling General & Admin Expenses	(125.0%)	(103.8%)	(123.8%)	(79.5%)	(68.2%)	(57.0%)	(51.7%)	(38.3%)	**(49.0%)**	**(58.9%)**
R&D Expenses	(47.9%)	(41.2%)	(51.3%)	(25.1%)	(18.9%)	(18.2%)	(17.7%)	(12.5%)	**(16.1%)**	**(18.5%)**
Total Operating Expenses	**(173.1%)**	**(145.0%)**	**(175.1%)**	**(104.7%)**	**(87.0%)**	**(75.2%)**	**(69.4%)**	**(50.8%)**	**(65.1%)**	**(77.4%)**
Operating Income	**(100.8%)**	**(77.5%)**	**(107.4%)**	**(26.7%)**	**(8.4%)**	**5.4%**	**10.8%**	**31.6%**	**15.9%**	**2.5%**
Interest Expense	(0.6%)	(0.4%)	(1.3%)	(0.2%)	–	–	–	–	**–**	**(0.0%)**
EBT Incl. Unusual Items	**(96.0%)**	**(76.3%)**	**(107.9%)**	**(31.6%)**	**(18.9%)**	**10.7%**	**17.1%**	**37.0%**	**21.6%**	**2.8%**
Income Tax Expense	(1.5%)	(1.7%)	1.2%	(2.1%)	(0.5%)	(0.9%)	(0.7%)	(0.5%)	**(0.7%)**	**(0.9%)**
Net Income	**(97.5%)**	**(78.1%)**	**(106.7%)**	**(33.7%)**	**(19.6%)**	**9.4%**	**16.1%**	**36.3%**	**20.6%**	**1.7%**
EBITDA	(98.5%)	(75.9%)	(106.1%)	(25.7%)	(7.3%)	6.9%	11.9%	32.2%	**17.0%**	**3.6%**

Source: author's analysis based on Tikr data.

For years, Palantir had negative operating margins, partly due to commercial investment, research and development expenses, stock-based compensation, and a structure still in the process of scaling up. That stage is now increasingly behind us.

The gross margin remained high, reaching 82.4% in 2025. This is one of the most important aspects of the business. Despite the complexity of its implementations, Palantir is showing gross margins typical of a high-quality software company. This helps answer one of the long-standing questions: whether the business could scale without behaving like a consultancy. The recent answer appears to be quite positive.

The most significant change is in the operating margin. In 2021, the operating margin was negative at 26.7%. In 2022, it was still negative at 8.5%. In 2023, it turned positive at 5.4%, in 2024 it rose to 10.8%, and in 2025 it jumped to 31.6%. In Q1 2026, the GAAP operating margin reached 46%. This expansion is highly relevant because it demonstrates that the company is capturing real operating leverage.

The net margin also improved dramatically. After years of losses, Palantir achieved a net margin of 9.4% in 2023, 16.1% in 2024, and 36.3% in 2025. Part of this improvement includes financial income from the company's large cash position and investments, but the trend in operating profitability is still difficult to ignore.

BALANCE SHEET

Fiscal year Balance Sheet — % of total assets	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Cash And Short Term Investments	**78.0%**	**67.7%**	**74.7%**	**77.8%**	**76.1%**	**81.2%**	**82.5%**	**80.6%**	**81.5%**	**79.6%**
Total Receivables	**1.3%**	**3.2%**	**5.8%**	**5.9%**	**7.5%**	**8.1%**	**9.1%**	**11.7%**	**9.6%**	**8.4%**
Total Current Assets	**85.3%**	**76.2%**	**83.9%**	**88.2%**	**87.9%**	**91.5%**	**93.6%**	**93.9%**	**93.0%**	**91.0%**
Net Property Plant And Equipment	2.1%	2.0%	9.2%	7.6%	7.8%	5.1%	3.8%	2.8%	**3.9%**	**5.4%**
Long-term Investments	1.2%	–	–	–	–	0.7%	1.0%	1.9%	**1.2%**	**0.7%**
Other Intangibles	–	–	–	–	–	0.6%	–	–	**0.2%**	**0.1%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Total Current Liabilities	**37.2%**	**45.7%**	**22.4%**	**20.3%**	**17.0%**	**16.5%**	**15.7%**	**13.2%**	**15.1%**	**16.5%**
Long-Term Debt	–	24.8%	7.4%	–	–	–	–	–	**–**	**–**
Capital Leases	–	–	8.5%	6.8%	5.9%	3.9%	3.1%	2.1%	**3.0%**	**4.3%**
Total Liabilities	**64.5%**	**90.8%**	**43.4%**	**29.4%**	**23.7%**	**21.3%**	**19.6%**	**15.9%**	**18.9%**	**22.0%**
Total Equity	**35.5%**	**9.2%**	**56.6%**	**70.6%**	**76.3%**	**78.7%**	**80.3%**	**84.1%**	**81.1%**	**78.0%**
Total Debt	**–**	**24.8%**	**17.0%**	**8.0%**	**7.2%**	**5.1%**	**3.8%**	**2.6%**	**3.8%**	**5.3%**
Net Debt	(78.0%)	(42.8%)	(57.7%)	(69.8%)	(68.9%)	(76.2%)	(78.7%)	(78.1%)	**(77.7%)**	**(74.3%)**

Source: author's analysis based on Tikr data.

Palantir's balance sheet is one of its strongest assets. The company ended 2025 with approximately USD 7.177 billion in cash and short-term investments, and by Q1 2026 that figure had risen to nearly USD 8 billion. Also, it had no outstanding traditional financial debt. This gives it tremendous flexibility in a market where many growth companies rely on external financing.

A strong balance sheet matters for several reasons. First, it allows the company to invest aggressively in product, talent, and business expansion without relying on the capital markets. Second, it reduces financial risk in a stock that already has a long implied duration. And third, it provides the option for acquisitions, buybacks, or strategic investments should opportunities arise.

Working capital also deserves attention. In software companies with upfront contracts, deferred revenue and operating liabilities can finance part of the growth. Therefore, I included accounts receivable, accounts payable, deferred revenue/customer deposits, and accrued liabilities in the valuation.

CASH FLOW

Fiscal year Cash Flow — % of revenue	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Net Income	**(97.5%)**	**(78.1%)**	**(106.7%)**	**(33.7%)**	**(19.6%)**	**9.4%**	**16.1%**	**36.3%**	**20.6%**	**1.7%**
Total Depreciation & Amortization	**2.3%**	**1.7%**	**1.3%**	**1.0%**	**1.2%**	**1.5%**	**1.1%**	**0.6%**	**1.1%**	**1.1%**
Stock-Based Compensation	41.8%	32.6%	116.3%	50.5%	29.6%	21.4%	24.1%	15.3%	**20.3%**	**28.2%**
Cash from Operations	**(6.6%)**	**(22.2%)**	**(27.2%)**	**21.7%**	**11.8%**	**32.0%**	**40.3%**	**47.7%**	**40.0%**	**30.7%**
Capital Expenditure	(2.6%)	(1.8%)	(1.1%)	(0.8%)	(2.1%)	(0.7%)	(0.4%)	(0.8%)	**(0.6%)**	**(1.0%)**
Cash from Investing	**(1.1%)**	**(3.0%)**	**(1.4%)**	**(25.8%)**	**(2.4%)**	**(121.8%)**	**(11.9%)**	**(62.2%)**	**(65.3%)**	**(44.8%)**
Total Debt Issued	**–**	**73.2%**	**18.2%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Debt Repaid	**(9.5%)**	**(20.2%)**	**(36.6%)**	**(13.0%)**	**–**	**–**	**–**	**–**	**–**	**(2.6%)**
Repurchase of Common Stock	(1.3%)	(1.5%)	–	–	–	–	(9.8%)	(3.5%)	**(4.4%)**	**(2.7%)**
Cash from Financing	**7.8%**	**43.7%**	**94.8%**	**19.9%**	**4.5%**	**9.8%**	**16.2%**	**(0.6%)**	**8.5%**	**10.0%**
Free Cash Flow	(9.1%)	(24.0%)	(28.3%)	20.8%	9.7%	31.3%	39.8%	46.9%	**39.4%**	**29.7%**

Source: author's analysis based on Tikr data.

Cash generation is probably one of Palantir's most attractive aspects. In 2025, free cash flow was USD 2.101 billion, equivalent to a margin of 46.9%. In Q1 2026, adjusted free cash flow was USD 925 million, with a margin of 57%. For a company that continues to grow at such high rates, these levels of cash conversion are exceptional.

Capital expenditures are very low compared to revenues. In 2025, capital expenditures were just USD 34 million, less than 1% of sales.

This combination of high gross margin, low capex, and favorable working capital explains why the business can generate free cash flow long before it fully matures.

Financial ratios

- **Growth**

Fiscal year	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Growth										
Revenue growth		24.9%	47.1%	41.1%	23.6%	16.7%	28.8%	56.1%	**33.9%**	**33.3%**
EBIT growth	n.m.	n.m.	n.m.	n.m.	n.m.		158.3%	356.1%	**257.2%**	**257.2%**
Diluted EPS growth	n.m.	n.m.	n.m.	n.m.	n.m.		111.1%	231.6%	**171.3%**	**171.3%**
Change in diluted shares (dilution / buybacks)		6.1%	69.7%	96.5%	7.3%	11.3%	6.7%	4.7%	**7.5%**	**25.3%**

Source: author's analysis based on Tikr data.

After growing 16.7% in 2023 and 28.8% in 2024, sales accelerated to 56% in 2025 and are approaching 90% in 2026. The weak point is dilution: the share count grew 4.7% in 2025 and almost 7% in 2024 because of stock-based compensation.

- **Profitability**

Fiscal year	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Profitability										
Gross margin	72.3%	67.3%	67.7%	78.0%	78.5%	80.6%	80.3%	82.4%	**81.1%**	**79.9%**
SG&A % revenue	125.0%	103.8%	123.8%	79.5%	68.2%	57.0%	51.7%	38.3%	**49.0%**	**58.9%**
R&D % revenue	47.9%	41.2%	51.3%	25.1%	18.9%	18.2%	17.7%	12.5%	**16.1%**	**18.5%**
EBIT margin	(100.8%)	(77.5%)	(107.4%)	(26.7%)	(8.4%)	5.4%	10.8%	31.6%	**15.9%**	**2.5%**
EBITDA margin (EBIT + D&A)	(98.5%)	(75.9%)	(106.1%)	(25.7%)	(7.3%)	6.9%	11.9%	32.2%	**17.0%**	**3.6%**
Net margin	(97.5%)	(78.1%)	(106.7%)	(33.7%)	(19.6%)	9.4%	16.1%	36.3%	**20.6%**	**1.7%**
Stock-based compensation % revenue	41.8%	32.6%	116.3%	50.5%	29.6%	21.4%	24.1%	15.3%	**20.3%**	**28.2%**
Effective tax rate	(1.6%)	(2.2%)	1.1%	(6.5%)	(2.8%)	8.3%	4.3%	1.4%	**4.7%**	**0.9%**

Source: author's analysis based on Tikr data.

Gross margin reached 82.4% in 2025 and EBIT margin 31.6%, after years of losses. Overhead fell from 125% of sales in 2018 to 38% in 2025. Stock-based compensation still weighs 15% of sales, a real cost for shareholders.

- **Cash flow and reinvestment**

Fiscal year	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Cash flow & reinvestment										
Cash from operations % revenue	(6.6%)	(22.2%)	(27.2%)	21.7%	11.8%	32.0%	40.3%	47.7%	**40.0%**	**30.7%**
FCF margin (TIKR FCF / revenue)	(9.1%)	(24.0%)	(28.3%)	20.8%	9.7%	31.3%	39.8%	46.9%	**39.4%**	**29.7%**
FCF conversion (FCF / net income)	n.m.	n.m.	n.m.	n.m.	n.m.	331.9%	247.0%	129.3%	**236.1%**	**236.1%**
Capex % revenue	2.6%	1.8%	1.1%	0.8%	2.1%	0.7%	0.4%	0.8%	**0.6%**	**1.0%**
D&A % revenue	2.3%	1.7%	1.3%	1.0%	1.2%	1.5%	1.1%	0.6%	**1.1%**	**1.1%**
Capex / D&A	1.1x	1.1x	0.9x	0.8x	1.8x	0.5x	0.4x	1.3x	**0.7x**	**1.0x**
D&A % beginning net PP&E		40.8%	43.9%	6.0%	9.1%	12.4%	13.7%	10.9%	**12.3%**	**10.4%**
Acquisitions % revenue	–	–	–	–	–	–	–	–	–	–

Source: author's analysis based on Tikr data.

Free cash flow was 46.9% of sales in 2025, with CapEx below 1%. It is a business that practically needs no capital to grow.

- **Working capital**

Fiscal year	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Working capital										
Receivables days (DSO)	11.8	24.7	52.4	45.2	49.4	59.9	73.2	85.0	**72.7**	**62.5**
Inventory days (DIO)	–	–	–	–	–	–	–	–	–	–
Payables days (DPO)	60.6	78.0	16.9	80.7	40.0	10.3	0.1	3.7	**4.7**	**26.9**
Cash conversion cycle (DSO + DIO − DPO)	(48.8)	(53.3)	35.5	(35.4)	9.4	49.6	73.2	81.3	**68.0**	**35.6**
Deferred revenue % revenue	68.7%	35.4%	22.0%	17.4%	10.1%	12.4%	10.5%	10.2%	**11.0%**	**12.1%**
Operating NWC % revenue	(102.4%)	(97.3%)	(38.2%)	(21.8%)	(5.4%)	(9.4%)	(10.3%)	0.1%	**(6.5%)**	**(9.4%)**

Source: author's analysis based on Tikr data.

The point to watch is DSO: collection days went from 12 in 2018 to 85 in 2025. Part of this is explained by larger contracts and billing at the end of service periods, but it means a growing share of revenue is collected later.

- **Returns on capital**

Fiscal year	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Returns on capital										
NOPAT = EBIT × (1 − normalized tax rate)	(450)	(432)	(881)	(308)	(121)	90	233	1,061	**461**	**191**
Invested capital = debt + equity − cash & ST inv.	(608)	(536)	(31)	26	257	116	103	540	**253**	**208**
ROIC = NOPAT / average invested capital	n.m.	n.m.	n.m.		(85.3%)	48.3%	212.3%	329.9%	**196.8%**	**126.3%**
ROIC incl. cash = NOPAT / average (debt + equity)		(82.2%)	(69.8%)	(13.6%)	(4.4%)	2.7%	5.1%	16.3%	**8.0%**	**1.2%**
Pre-tax ROIC = EBIT / average invested capital (reference)	n.m.	n.m.	n.m.		(113.8%)	64.3%	283.1%	439.8%	**262.4%**	**168.4%**
ROE = net income / average equity		(177.1%)	(139.6%)	(27.3%)	(15.2%)	6.8%	10.7%	25.8%	**14.4%**	**0.2%**
ROA = net income / average total assets		(38.3%)	(54.4%)	(17.5%)	(11.2%)	5.3%	8.5%	21.3%	**11.7%**	**1.3%**

Source: author's analysis based on Tikr data.

Because almost all of Palantir's balance sheet is cash, ROIC excluding cash gives extreme and unhelpful numbers. ROIC including cash (16.3% in 2025) and ROE (25.8%) are better references, and both are improving strongly year after year.

- **Leverage and liquidity**

Fiscal year	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Leverage & liquidity										
Net debt (debt − cash & ST inv.)	(1,116)	(683)	(1,554)	(2,265)	(2,385)	(3,445)	(4,991)	(6,948)	**(5,128)**	**(4,007)**
Net debt / EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	(22.5x)	(14.6x)	(4.8x)	**(14.0x)**	**(14.0x)**
Interest coverage (EBIT / interest expense)	(174.4x)	(188.2x)	(83.0x)	(112.9x)	n.m.	n.m.	n.m.	n.m.	**n.m.**	**(112.9x)**
Debt / (debt + equity), book	–	72.9%	23.1%	10.2%	8.6%	6.0%	4.5%	3.0%	**4.5%**	**6.5%**
Current ratio	2.29	1.67	3.74	4.34	5.17	5.55	5.96	7.11	**6.20**	**5.62**

Source: author's analysis based on Tikr data.

Palantir has no financial debt and ended 2025 with almost USD 7 billion of net cash (USD 10.4 billion in the third quarter of 2026). The current ratio is 7.1x. The balance sheet is impeccable.

- **Shareholder returns and valuation**

Fiscal year	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Shareholder returns & market valuation (TIKR, at fiscal year end)										
Dividends + buybacks % FCF	n.m.	n.m.	n.m.	–	–	–	24.7%	7.4%	**10.7%**	**6.4%**
EV / EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	224.8x	491.4x	290.0x	**335.4x**	**335.4x**
EV / revenue	n.m.	n.m.	36.1x	22.2x	5.8x	15.5x	58.6x	93.3x	**55.8x**	**39.1x**
P/E	n.m.	n.m.	n.m.	n.m.	n.m.	177.9x	372.9x	260.7x	**270.5x**	**270.5x**
FCF yield (FCF / market cap)	n.m.	n.m.	(0.8%)	0.9%	1.4%	1.9%	0.7%	0.5%	**1.0%**	**1.1%**

Source: author's analysis based on Tikr data.

Palantir pays no dividends and buybacks are small relative to dilution. At the end of 2025 it traded at 290x EBITDA and 260x earnings, with a 0.5% FCF yield. These multiples have no comparison among large companies in the market.

SECTION 04

Management and capital allocation

Palantir's founding team shows unusual continuity for a large-scale software company: **Alex Karp** has been **CEO** since 2003, **Peter Thiel** has been **Chairman** since the founding, and **Stephen Cohen** (original co-founder and CTO) has held the positions of **President, Secretary, and board member** since 2005. Joe Lonsdale and Nathan Gettings, the other two co-founders, no longer have active executive roles in the company, although Lonsdale maintains an active public profile as a venture capital investor (Eight Partners and 8VC), and Thiel, in addition to being Chairman of Palantir, heads Thiel Capital and the venture capital fund Founders Fund.

The rest of the executive team also shows unusual longevity: Shyam Sankar, Chief Technology Officer and Executive Vice President, has been with the company since 2006, holding various strategic roles over two decades; David Glazer, CFO and Treasurer, since 2013, with additional responsibility for the company's global real estate portfolio and corporate legal matters; and Ryan Taylor, Chief Revenue Officer and Chief Legal Officer (an unusual combination of commercial and legal roles in one person), since 2010. The board of directors is composed of seven members, including the founders with Class F shares and a group of independent directors with expertise in technology, finance, and operations (among them Alexander Moore, Alexandra Wolfe Schiff, Lauren Friedman Stat, and Eric Woersching).

This continuity reduces the risk of strategic discontinuity, but it also means that the culture and execution style (strongly influenced by Karp's public persona and the company's origins in intelligence and defense projects) were not diluted by growth. Karp is a key figure in the company's public narrative: a philosopher by training (with a doctorate from Goethe University Frankfurt), he often gives interviews with a provocative tone, defending Palantir's work with Western governments as a moral stance against what he describes as the ambivalence of other Silicon Valley companies regarding national defense.

The dual-class voting structure (Class F shares held by Karp, Thiel, and Cohen) means that, in practice, no institutional investor, no matter how much capital they contribute, can alter the company's strategic direction against the founders' wishes.

Compensation, dilution, and insider activity

This is where special attention should be paid. Stock-based compensation (SBC) expenditure for fiscal year 2025 was approximately USD 684 million (15.3% of revenue), coming from much higher levels in previous years as a percentage of revenue. Although that proportion is declining, it still represents a source of dilution for long-term shareholders in a company that does not repurchase shares on a scale that would offset that dilution.

Even more relevant is the pattern of stock sales by top executives and founders during 2024, 2025, and 2026. According to public records (Form 4) and specialized press reports, Alex Karp sold more than $4 billion worth of stock cumulatively since 2024, including one-off sales of between $54 and $66 million in different windows in 2025 and 2026, under pre-established 10b5-to-1 plans, and also registered intentions to sell additional shares of several hundred thousand in successive quarters. Peter Thiel liquidated positions worth more than $1 billion in 2024, sold more than 2 million shares in a single day in March 2026 at prices between $140.97 and $146.80, and recorded additional sales plans for hundreds of millions of dollars during 2026. Stephen Cohen completed a $310 million sale (the largest in his history with the company), and Shyam Sankar sold approximately $420 million since 2024.

Various estimates place net insider selling (sales minus purchases) at several billion dollars accumulated since 2024, with a ratio of shares sold to bought of approximately 9 to 1 in the most recent months of the series. The company and its defenders argue that these are mostly pre-established 10b5-to-1 plans (designed precisely to avoid discretion and the "insider" signal at the time of the sale) and that it is reasonable for founders with two decades of wealth concentrated in a single stock to diversify part of their wealth, especially after such an extraordinary revaluation as that of 2023 to 2025. Critics, on the other hand, point out that the volume and persistence of sales, coupled with compensation heavily based on SBC that the company excludes from its adjusted metrics (adjusted operating income, adjusted EPS), create an asymmetric incentive: executives capture sustained cash value while the public shareholder assumes both the valuation risk and the progressive dilution.

It is not a sign that the business is deteriorating (operating results say otherwise), but it is a factor that should be monitored with the same discipline as revenue growth, particularly because insider trading volume accelerated, not slowed, as the stock approached its all-time highs.

SECTION 05

Competitive position

Palantir does not compete against a single rival with the same comprehensive proposition; it competes, at the same time, on at least three different fronts, each with different players and pricing dynamics.

Data platforms and enterprise AI

Databricks and Snowflake are, according to the consensus of analysts covering the sector, the competitors with the greatest financial scale and technological overlap with Foundry. Both began as data warehouse/lakehouse platforms and have been incorporating generative AI layers (Databricks AI, Snowflake Cortex) that, in certain use cases, reduce the need for a separate ontology layer like Palantir's. Microsoft Fabric is perhaps the most underestimated commercial threat: by bundling Foundry-equivalent functionality within the Azure enterprise agreements that most large corporations already have, it competes at a much lower marginal cost to the customer. C3.ai, with its focus on pre-built vertical applications rather than a configurable horizontal platform, attracts customers looking for a faster-to-deploy, albeit less in-depth, solution. However, its recent financial trajectory (revenues of just $250 million in fiscal year 2026, with persistent operating losses and founder Thomas Siebel's return to the CEO role in June 2026) suggests that, unlike Databricks or Snowflake, it is failing to capitalize on the same enterprise AI demand cycle.

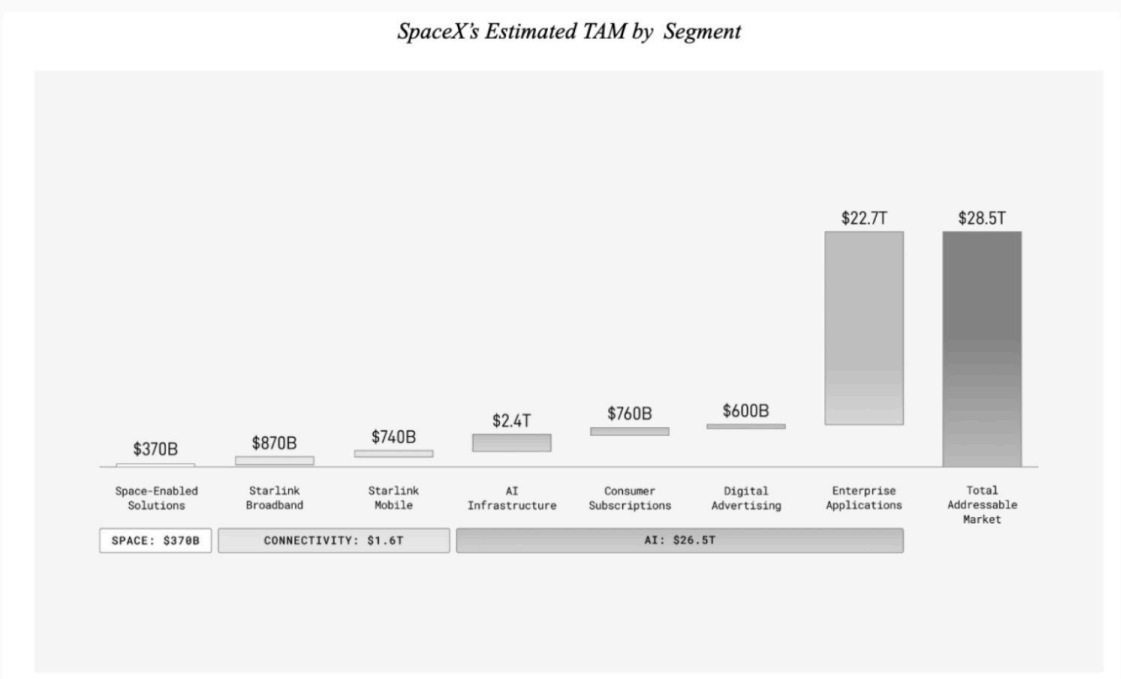
Defense and intelligence

In the government segment, the most interesting competitor is not a traditional software provider but Anduril, the defense company founded by Palmer Luckey. Anduril combines hardware (autonomous drones, Lattice systems) with command and control software and has been winning significant contracts since 2024-2025 with its "Replicator" program. Unlike Databricks or Snowflake, Anduril competes directly for the same type of military budget as Palantir, with a hardware and software offering that some Pentagon buyers consider more comprehensive for combat scenarios, and with a private valuation estimated at around $61 billion. Traditional defense contractors (Booz Allen, Leidos, SAIC, CACI) still maintain deep institutional relationships with government agencies and compete for the same budgets, although they generally lack a proprietary software platform comparable to Gotham.

Market size

The combined Total Addressable Market (TAM) of enterprise AI and advanced data analytics has extremely disparate estimates depending on the source, so any figure should be taken with a grain of salt. PwC, for example, estimates that artificial intelligence could contribute up to **USD 15.7 trillion to the global economy by 2030** , primarily through productivity improvements and effects on consumption. This TAM figure isn't directly attributable to a company like Palantir, but it does help to put the potential size of the economic change associated with AI into perspective.

Another interesting reference appears in SpaceX's published TAM estimates, where the company breaks down a total potential market of **$28.5 trillion** , of which **$26.5 trillion** would be linked to artificial intelligence. Within that category, SpaceX estimates **$2.4 trillion** for AI infrastructure, **$760 billion** for consumer subscriptions, **$600 billion** for digital advertising, and **$22.7 trillion** for enterprise applications. For Palantir, the relevant figure is not SpaceX's total TAM, nor should it be interpreted as a market directly addressable by Palantir, but rather the underlying idea: a very large part of AI's economic value could lie in enterprise applications—that is, in bringing models, data, and automation to real-world processes within organizations.



Source: SpaceX.

In the specific case of Palantir, I prefer to rely on a more specific definition. Morningstar estimates that Palantir's TAM could reach approximately **USD 1.4T by 2033** , within the AI ontology and orchestration platform market. This figure is much narrower than the broad estimates from PwC or SpaceX, but it is probably more useful for analyzing the market that Palantir can actually address. Even under this more specific definition, the opportunity remains enormous given the company's current size.

If one considers the entire global AI market, the Total Addressable Market (TAM) seems virtually unlimited, but that perspective might be too broad for a serious assessment. However, if a more specific definition is used, such as ontology platforms, enterprise AI, and operational applications for large organizations, the opportunity remains substantial but allows for a more realistic analysis. In my case, I prefer to use the broader figures as context and focus primarily on a more narrowly defined target market to assess Palantir's economic potential.

Porter's Analysis

Competitive rivalry: high

Databricks, Snowflake, Microsoft Fabric, and C3.ai compete on the commercial front; Anduril, Booz Allen, Leidos, SAIC, and CACI compete on the government front. Palantir responds with an integrated package (ontology + AI + security accreditation) that no single rival fully replicates, but that doesn't eliminate the pressure on price and implementation time, especially in the commercial segment, where the purchasing decision typically involves a formal competitive evaluation among several vendors.

Threat of new entrants: medium-low

Building a security-accredited ontology platform for use with intelligence agencies takes years and requires institutional relationships that are difficult to replicate; the security certifications needed to operate in classified environments represent, in themselves, a regulatory barrier to entry. The threat is greater on the commercial front, where venture-backed AI startups can offer cheaper, point-in-time solutions without needing to build a full horizontal platform, although none have yet achieved Palantir's scale in complex operational use cases.

Supplier power: low-medium

Palantir relies on cloud infrastructure providers (AWS, Azure, Google Cloud) and, indirectly, on the availability of GPU computing capacity for its AI deployments, but as a fundamentally software company, it does not face a critical dependence on a single hardware or infrastructure provider, unlike companies that operate their own physical infrastructure on a large scale.

Customer power: medium-high

It's high in government, where defense budgets are subject to political cycles and a client like the U.S. Army can shift entire quarters of results with a single renewal or cutback decision; it's medium in commercial, where the cost of switching platforms increases over time as more workflows are built on the client's ontology (known as switching cost), but the initial vendor evaluation remains competitive, and five-day bootcamps specifically aim to shorten that evaluation period before the client calmly compares alternatives.

Threat of substitutes: medium-high in generic analytics, low in more complex cases

It is medium-high in generic analytics (internal data science teams, native hyperscalers tools increasingly "good enough" for standard reporting or dashboard use cases), and low in more complex and security-sensitive use cases, where Palantir's combination of ontology, accreditation, and operational history remains difficult to replace without a multi-year investment in equivalent capabilities.

SWOT Analysis

Strengths

Leadership in defense and intelligence software with security accreditations that are difficult to replicate; differentiated ontology platform that connects operational data with AI models in an auditable manner; AIP with explosive commercial traction and a high conversion rate from bootcamps to paid contracts; balance sheet with no significant debt and a net cash position close to USD 7.8 billion; gross and operating margins in sustained expansion since 2023; free cash flow generation well above accounting margin; stable founding team with two decades of continuity; backlog (Remaining Deal Value) growing faster than recognized revenue, suggesting visibility of future growth.

Opportunities

Continuous scaling of AI within the existing customer base, still in its early stages of penetration within each customer; a TAM of enterprise AI still in its early stages of adoption according to almost any available estimate; multi-year government contracts with greater budget predictability thanks to registration programs like Maven; expansion into NATO allies and still underdeveloped international markets within the mix; new business alliances outside of traditional verticals (Zeta Global in agentic marketing); possible flexibility in the concentration of revenue in the US as the international base matures; progressive reduction of customer acquisition cost thanks to the bootcamp model.

Weaknesses

Increasing geographic concentration in the United States (74% of revenue) and within government, around 80% in US agencies; implementation model that still relies on in-house engineers (FDEs) in the expansion phase for each client, which does not scale as elastically as pure software; steadily increasing DSO (from 12 to 66 to 85 days in seven years) with accounts receivable growing faster than revenue in most recent quarters; persistent dilution via SBC and sustained stock selling by founders and executives, accelerating rather than moderate near the stock's all-time highs; specific reputational exposure stemming from its immigration and law enforcement contracts that does not affect most of its software peers.

Threats

Historically demanding valuations that leave very little room for error in the face of any slowdown; competition from hyperscalers (particularly Microsoft Fabric) bundling similar functionality within existing enterprise deals at a lower marginal cost; enterprise AI competitors with comparable or superior revenue growth rates (Databricks); the risk of cuts or redirections to the US and allied defense budgets; active and high-profile short positions (Michael Burry); increasing regulatory and institutional investor scrutiny (including Norway's sovereign wealth fund) regarding the use of its tools in immigration and surveillance contexts, which could lead to future contractual restrictions or a higher reputational cost in attracting international talent and business clients; and the risk, inherent in any stock trading at extreme multiples, of an abrupt multiple compression if the market stops paying the current premium.

SECTION 06

The bulls vs. the bears

What do the bulls say?

The first argument is **growth with profitability**: growing 96% with a 62% adjusted operating margin is something almost no software company has ever achieved.

The second is the **strategic position**: Palantir's ontology makes it the operating layer that connects data, permissions and decisions. Once a customer adopts it, switching costs are very high.

The third is the **market**: if enterprise AI becomes as large as expected, Palantir can keep growing at very high rates for many years, and today's multiples would compress quickly.

What do the bears say?

The first argument is **valuation**: more than 100 times expected 2026 earnings and about 50 times sales. Even with extraordinary growth, the price requires everything to go right for a decade.

The second is **dilution and insider selling**: stock-based compensation is high and founders and executives have sold billions of dollars of stock.

The third is **competition and concentration**: Databricks, Snowflake, Microsoft and AI models themselves compete in the data layer, and much of the government business depends on the defense budget of a single country.

SECTION 07

Valuation

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**. The idea is not to project every year with millimetric precision, but to define what combination of growth, profitability and reinvestment would be needed to justify different ranges of value.

Model inputs and assumptions

2. Operating drivers by scenario (explicit forecast)

Driver	Δ vs Base	FY2023A	FY2024A	FY2025A	3Y avg	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E	FY2033E	FY2034E	FY2035E
Forecast year #						*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Revenue growth ▸ selected scenario		16.7%	28.8%	56.1%	**32.9%**	**91.0%**	**55.0%**	**44.0%**	**30.0%**	**24.0%**	**19.0%**	**15.0%**	**11.0%**	**8.0%**	**5.0%**
Best case	6.0%					97.0%	61.0%	50.0%	36.0%	30.0%	25.0%	21.0%	17.0%	14.0%	11.0%
Base case						91.0%	55.0%	44.0%	30.0%	24.0%	19.0%	15.0%	11.0%	8.0%	5.0%
Worst case	(12.0%)					79.0%	43.0%	32.0%	18.0%	12.0%	7.0%	3.0%	(1.0%)	(4.0%)	(7.0%)
Gross margin ▸ selected scenario		80.6%	80.3%	82.4%	**81.1%**	**82.0%**	**83.0%**	**84.0%**	**84.0%**	**85.0%**	**85.0%**	**85.0%**	**85.0%**	**85.0%**	**85.0%**
Best case	2.0%					84.0%	85.0%	86.0%	86.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%
Base case						82.0%	83.0%	84.0%	84.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Worst case	(5.0%)					77.0%	78.0%	79.0%	79.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
EBIT margin ▸ selected scenario		5.4%	10.8%	31.6%	**15.9%**	**45.0%**	**47.0%**	**48.0%**	**49.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**
Best case	4.0%					49.0%	51.0%	52.0%	53.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%
Base case						45.0%	47.0%	48.0%	49.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Worst case	(15.0%)					30.0%	32.0%	33.0%	34.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Capex % of revenue ▸ selected scenario		0.7%	0.4%	0.8%	**0.6%**	**1.0%**	**1.0%**	**1.2%**	**1.2%**	**1.2%**	**1.2%**	**1.2%**	**1.2%**	**1.2%**	**1.2%**
Best case	–					1.0%	1.0%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Base case						1.0%	1.0%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Worst case	0.5%					1.5%	1.5%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%

Source: author's analysis.

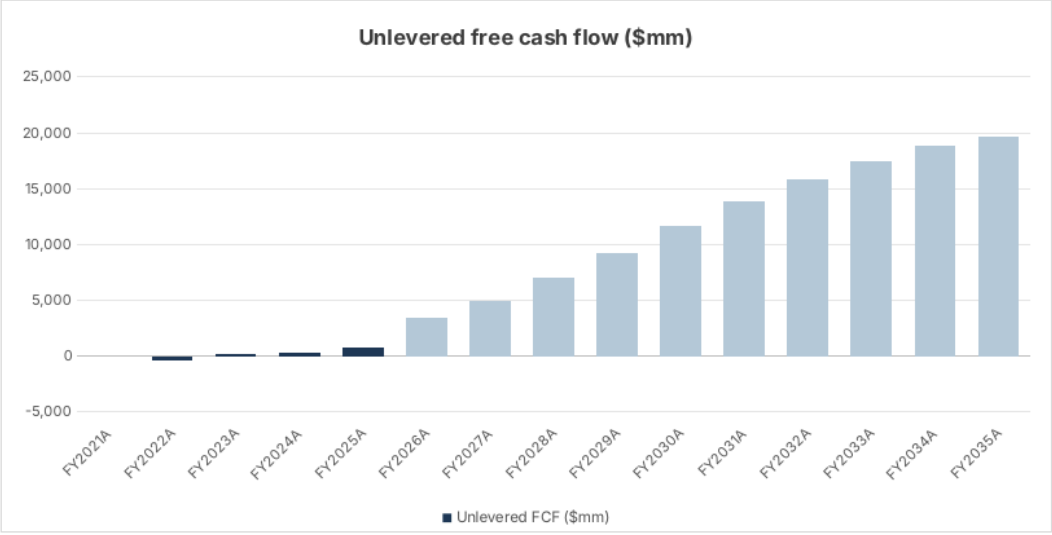
Revenue growth: in the Base Case I project 91% for 2026 (company guidance), 55% in 2027, 44% in 2028 and 30% in 2029. Growth then gradually slows to 5% in 2035. These are very demanding assumptions: they imply revenue multiplying more than tenfold in ten years, to about USD 55 billion.

Margins: gross margin stays at 82-85%. EBIT margin (GAAP, i.e. including stock-based compensation) goes from 45% in 2026 to 50% at maturity, a level reserved for the best software businesses in the world.

CapEx: around 1% of sales.

What does each scenario mean?

- **Base Case:** AIP consolidates, the commercial business keeps growing at very high rates for several years and margins stay at exceptional levels.
- **Best Case:** Palantir becomes the standard operating layer of enterprise AI. It adds 6 points of growth per year, 2 points of gross margin and 4 points of EBIT margin.
- **Worst Case:** competition increases, pilots fail to scale and Palantir needs more services to grow. It subtracts 12 points of growth, 5 of gross margin and 15 of EBIT margin.



Source: author's analysis.

Discount rate (WACC)

5. Discount rate (WACC)		Value
Risk-free rate		4.9%
Equity beta (levered)	x	1.60
Equity risk premium		4.2%
Country risk premium		–
Cost of equity		11.6%
Pre-tax cost of debt		–
Tax rate (debt tax shield)		25.0%
After-tax cost of debt		–
Market value of equity	$ mm	410,086
Total debt	$ mm	229
Debt / (Debt + Equity)		0.1%
Equity / (Debt + Equity)		99.9%
WACC		11.6%

Source: author's analysis.

I use a 4.9% risk-free rate, a 4.2% equity risk premium and a beta of 1.6 (the five-year historical beta is 1.72). Since Palantir has no debt, **WACC equals the cost of equity: 11.6%**.

For the terminal value I use a long-run WACC of 10.5%, somewhat lower than today's, because ten years from now Palantir should be a much larger and more mature company, with lower risk.

To go from Enterprise Value to Equity Value I added net cash of USD 7.0 billion. I use 2,560 million diluted shares, including options and restricted stock.

Model results

PERPETUITY METHOD

With 3% perpetual growth and a 35% return on new invested capital, the model gives an Enterprise Value of USD 164.7 billion and an Equity Value of USD 171.8 billion, equivalent to **USD 67.10 per share**.

Palantir Technologies Inc.

PLTR · Discounted Cash Flow · Perpetuity Growth Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

INTRINSIC VALUE PER SHARE

$67.10

Current share price	$160.19
Upside / (downside)	(58.1%)

VALUATION SUMMARY

Enterprise value	164,748
Equity value	171,765
PV of forecast cash flows	67,857
PV of terminal value	96,891
Terminal value % of EV	58.8%
Implied exit EV / EBITDA	9.4x

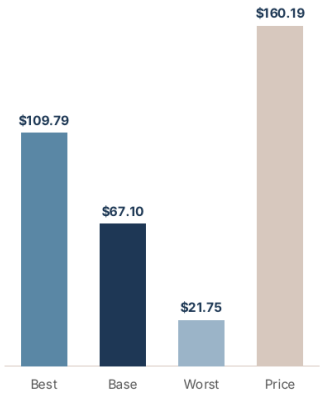
KEY ASSUMPTIONS

WACC (year 1)	11.6%
Terminal WACC	10.5%
Terminal growth (g)	3.0%
RONIC (terminal)	35.0%
Net debt & other claims	(7,017)
Diluted shares (mm)	2,560.0

SCENARIOS

Scenario	Terminal growth	Enterprise value	Equity value	Value per share	Upside
Best case	3.5%	274,038	281,055	**$109.79**	(31.5%)
Base case	3.0%	164,748	171,765	**$67.10**	(58.1%)
Worst case	2.5%	48,662	55,679	**$21.75**	(86.4%)
Current share price				*$160.19*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

	Terminal growth rate (g)				
WACC / g	2.0%	2.5%	3.0%	3.5%	4.0%
10.6%	$72.88	$75.22	$77.92	$81.07	$84.79
11.1%	$67.99	$69.91	$72.11	$74.65	$77.62
11.6%	$63.69	$65.28	**$67.10**	$69.17	$71.55
12.1%	$59.88	$61.21	$62.72	$64.42	$66.36
12.6%	$56.48	$57.60	$58.86	$60.27	$61.87

Source: author's analysis.

In the Best Case the value is **USD 109.79** and in the Worst Case **USD 21.75**.

With a WACC half a point lower, the value rises to USD 72; with one half a point higher, it falls to USD 63. Not even the most favorable combination in the table (10.6% WACC and 4% growth) reaches USD 71.

EBITDA MULTIPLE METHOD

Applying a **10x** multiple to EBITDA in the last projected year of the Base Case (13x in the Best Case and 8x in the Worst Case), the model gives an Enterprise Value of USD 170.9 billion and a value of **USD 69.50 per share**.

Palantir Technologies Inc.

PLTR · Discounted Cash Flow · Exit Multiple Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

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INTRINSIC VALUE PER SHARE

$69.50

Current share price	$160.19
Upside / (downside)	(56.6%)

VALUATION SUMMARY

Enterprise value	170,901
Equity value	177,918
PV of forecast cash flows	67,857
PV of terminal value	103,045
Terminal value % of EV	60.3%
Implied perpetual growth	2.9%

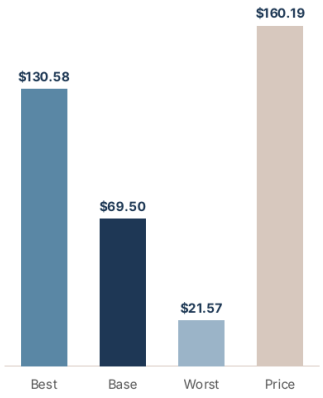
KEY ASSUMPTIONS

WACC (year 1)	11.6%
Terminal WACC	10.5%
Exit EV / EBITDA	10.0x
EBITDA, final forecast year	26,785
Net debt & other claims	(7,017)
Diluted shares (mm)	2,560.0

SCENARIOS

Scenario	Exit multiple	Enterprise value	Equity value	Value per share	Upside
Best case	13.0x	327,256	334,273	**$130.58**	(18.5%)
Base case	10.0x	170,901	177,918	**$69.50**	(56.6%)
Worst case	8.0x	48,196	55,213	**$21.57**	(86.5%)
Current share price				*$160.19*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Exit EV / EBITDA multiple

WACC / multiple	8.0x	9.0x	10.0x	11.0x	12.0x
10.6%	$65.46	$69.83	$74.20	$78.58	$82.95
11.1%	$63.41	$67.61	$71.80	$76.00	$80.19
11.6%	$61.45	$65.47	**$69.50**	$73.52	$77.55
12.1%	$59.57	$63.43	$67.29	$71.16	$75.02
12.6%	$57.76	$61.47	$65.18	$68.88	$72.59

Source: author's analysis.

The multiple may look low for a company that trades at hundreds of times EBITDA today, but it is applied to 2035 EBITDA, when Palantir would already be a huge, mature company. With a 10.5% long-run WACC, 10x implies 2.9% perpetual growth. A 20x multiple, like the best mature software companies, would imply Palantir grows faster than the economy forever.

In the Best Case the value is **USD 130.58** and in the Worst Case **USD 21.57**.

Reading both methods together

Averaging both methods in the base case, I arrive at a **target price of USD 68 per share**, compared with a market price of USD 160.19. That is a downside of about 57%.

Even the Best Case (between USD 110 and USD 131) is below the current price. To justify USD 160, Palantir would have to grow and be more profitable than my most optimistic scenario for ten years in a row.

SECTION 08

Conclusion

I think we all knew the conclusion of this valuation in advance: Palantir trades at too demanding a valuation. And interestingly, that is still true even after significantly raising my growth assumptions, because the company keeps beating expectations quarter after quarter.

The business is better than ever: it is growing 96%, US commercial is already larger than government, margins are extraordinary and the balance sheet has more than USD 10 billion of cash and no debt. None of that is in question.

What is in question is the price. My model gives a **target price of USD 68 per share** in the base case, versus a price of USD 160. Not even the Best Case reaches the current price. The market is paying for a scenario in which Palantir sustains very high growth for many years, keeps 50% margins without competition eroding them and still deserves a very high multiple once it is a mature company.

None of those assumptions is far-fetched on its own, but the combination of all of them, sustained at the same time for ten years, is too demanding. On top of that there are risks that are not hypothetical: dilution from stock-based compensation, systematic selling by founders and executives, rising collection days and dependence on the defense budget of a single country.

Palantir does not look like a bad business to me; quite the opposite: it is one of the best software businesses in the world right now. But the current price already assumes a very high probability that this exceptional quality will last a full decade, with no margin of safety. Personally I do not own shares and I would not feel comfortable starting a position at these prices.

Alan



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Stocks from A to Z

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