GOAT ACADEMY

The Insider's Guide to Investing in Palantir: Uncovering the Potential of Big Data

Palantir Technologies, founded in 2003, has rapidly become a leader in the data analytics industry, with a mission to harness the power of data for impactful decision-making. Founded by Peter Thiel, Alex Karp, Joe Lonsdale, Stephen Cohen, and Nathan Gettings, Palantir's journey began with a focus on developing cutting-edge software to support counter-terrorism efforts. Over the years, the company has evolved, expanding its reach across government and commercial sectors.

Palantir's Products:

- **Gotham:** Originally developed for intelligence analysis, Gotham is a versatile platform used by government agencies and law enforcement for data integration, analysis, and visualization. It enables users to uncover hidden patterns and connections within complex datasets, aiding in investigations and decision-making processes.

- **Foundry:** Foundry serves as a central data integration platform, enabling organizations to ingest, manage, and analyze vast amounts of data from disparate sources. It provides customizable workflows and tools for data scientists and analysts, empowering them to derive actionable insights and drive operational efficiencies.

- **Apollo:** Apollo is Palantir's data infrastructure platform, designed to handle massive-scale data processing and analysis in real time. It powers Palantir's cloud-based solutions, enabling seamless deployment and operation of its software across diverse environments.

- **AIP (Advanced Integration Platform):** AIP facilitates seamless integration of Palantir's software with existing IT infrastructures, ensuring interoperability and ease of use for clients.

The Market for Data Analytics

The data analytics market is experiencing unprecedented growth, driven by the rapid growth of data and technology advancements. Organizations across industries are recognizing the value of data-driven insights in driving innovation, enhancing decision-making, and gaining competitive advantage. With a focus on real-time insights, predictive analytics, and cloud-based solutions, the market shows immense potential for continued expansion, both globally and across emerging markets.

Palantir Technologies occupies a unique position within this dynamic market, offering sophisticated solutions that enable organizations to extract actionable insights from complex datasets. By leveraging AI and big data analytics, Palantir empowers its clients to uncover hidden patterns, identify trends, and make informed decisions in real time.

Its competitive advantage lies in several key areas:

- **Advanced Analytics:** Palantir's AI-powered analytics capabilities allow organizations to derive actionable insights from complex datasets, uncovering hidden patterns and connections. Its ability to handle massive-scale data processing in real time sets it apart from competitors.

- **Data Privacy and Security:** Palantir prioritizes data privacy and security, offering robust features to safeguard sensitive information. Its compliance with regulatory standards and focus on encryption and access controls enhance its appeal to clients in regulated industries.

- **Customization and Flexibility:** Palantir's platforms are highly customizable, allowing organizations to tailor solutions to their specific needs and workflows. This flexibility enables Palantir to address a wide range of use cases and adapt to evolving business requirements.

- **Government Contracts:** Palantir has established itself as a trusted partner for government agencies, securing contracts for intelligence analysis, law enforcement, and defense. Its specialized solutions for government clients provide a competitive edge and contribute significantly to its revenue stream.

The impact of government contracts on Palantir's financial stability and growth prospects is significant. As Palantir secures contracts with government agencies, it gains a stable revenue stream that can provide a foundation for financial stability. Government contracts often involve long-term agreements, which can contribute to predictable cash flows and revenue generation for the company. It can enhance Palantir's credibility and reputation within the industry, leading to additional contracts with both government and commercial clients.

However, there are also considerations regarding the reliance on government contracts. Government contracts can be subject to delays, cancellations, or changes in funding priorities, which may impact Palantir's revenue and growth prospects.

Palantir's dependence on government contracts could expose it to regulatory risks and geopolitical factors. Changes in government policies, regulations, or geopolitical tensions may
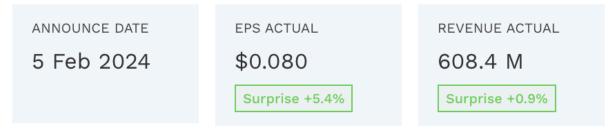
affect the company's ability to secure and maintain government contracts, potentially impacting its financial stability and growth trajectory.

Despite this, Palantir's sustained profitability and revenue growth show its ability to expand its commercial customers in the software industry. With a solid financial foundation and strategic investments, Palantir is well-positioned to seize emerging opportunities and overcome potential challenges in the future.

Financial Performance Analysis

On February 5, 2024, Palantir Technologies Inc (NYSE: PLTR) released its 8-K filing, unveiling strong fourth-quarter and full-year financial results for the period ending December 31, 2023. The company demonstrated significant growth, solidifying its position in the software industry.

▣ Last Reported Earnings

ANNOUNCE DATE	EPS ACTUAL	REVENUE ACTUAL
5 Feb 2024	$0.080	608.4 M
	Surprise +5.4%	Surprise +0.9%

Financial Performance Highlights:
- Fourth-quarter revenue surged by 20% year-over-year to $608 million.
- 17% annual revenue increase in FY 2023, totaling $2.23 billion
- GAAP net income of $93 million in Q4, marking its fifth consecutive quarter of GAAP profitability
- Achieved a 50% margin in adjusted free cash flow, with $305 million in Q4 and $731 million for FY 2023.
- Palantir's expansion efforts in the U.S. commercial sector yielded promising results, with a remarkable 70% year-over-year revenue growth. This growth was accompanied by a significant increase in customer count and total contract value.

While Palantir's financial performance remains robust, challenges persist as the company navigates a dynamic market landscape. Sustaining its growth trajectory is crucial for maintaining investor confidence and justifying its valuation. Palantir's focus on innovation and market share capture is important to fend off competition.

We then conducted several analyses on Palantir's financial health alone and in comparison with industry averages and key competitors.

One of Palantir's key competitors is Snowflake Inc. (NYSE: SNOW), a cloud-based data warehousing company that provides a data platform as a service (PaaS) to enterprises for storing, managing, and analyzing large volumes of data.

Using GOAT Academy's metrics to analyze quality stocks, we did a comparison of SNOW and PLTR stocks below. A full version with each metric's meanings can be found here.

Name	Gross Profit Margin	Operating Income Margin	Return on Invested Capital	Net Income to Common Margin	Cash Conversion Cycle	Levered Free Cash Flow Margin	Financial Leverage	Interest Coverage Ratio	P/E Ratio	Predicted Fwd P/E Ratio (FY+2)	EPS Trend Score	Long Term Earnings Growth Rate	9 Month Price Total Return
Palantir Technologies Inc.	80.6%	5.4%	3.1%	9.4%	27 days	31.3%	1.30	34.57	242.65	39.22	87.5%	30.0%	49.9%
Snowflake Inc.	68.0%	-39.0%	-16.8%	-29.8%	92 days	29.0%	1.59	NA	-61.80	107.48	37.5%	24.0%	-9.2%

Overall, Palantir Technologies Inc. demonstrates stronger financial metrics across various categories compared to Snowflake Inc., indicating better profitability, efficiency, and growth prospects.

Moreover, a price performance history graph compared to SPX (S&P 500 Index) below illustrates how Palantir's (NYSE: PLTR) stock price movement compares to the broader market represented by the S&P 500 Index. We use the S&P 500 Index as a benchmark to evaluate the performance of PLTR as comparing its price performance to the broader market provides context on how well the stock is performing relative to a widely recognized benchmark.

The graph shows the relative performance of the stock compared to the S&P 500 Index over the year. Palantir's performance is significantly stronger compared to the broader market. It can also suggest market sentiment towards the stock. The outperformance may indicate positive investor sentiment and confidence in the company's prospects.

□ **Price Performance History**

| 1 Year | 3 Years | 5 Years |

Assets: 2.84x (183.81%) | **S&P 500 (SPY):** 1.27x (26.70%)

■ Assets ■ S&P 500 (SPY)

We compiled a summary of a detailed analysis of Palantir's financial strengths and weaknesses.

Strengths

- **Strong Financial Position:** Palantir holds more cash than debt on its balance sheet by 4.7 times, indicating a strong financial position and reduced risk of default.
- **Expected Growth:** Net income is expected to grow this year at 266.9% to $769.8 million and average 69.3% over the next 5 fiscal years amounting to $1.153 billion. This indicates positive expectations for the company's future profitability.
- **Gross Profit Margins:** Palantir demonstrates impressive gross profit margins, with atest twelve months gross profit margin at 80.6% while gross profit margin for fiscal years ending December 2019 to 2023 averaged 74.5%. This suggests efficient cost management and potential for profitability.
- **Healthy Cash Flows:** Cash flows can sufficiently cover interest payments with it's latest twelve months interest coverage ratio at 34.6x, indicating the company's ability to meet its financial obligations.

- **Positive Returns:** Palantir has delivered high returns over the last year (184.3%), three months (40.3%), and five years (142.1%), indicating strong performance and investor confidence.
- **Strong Liquidity:** Over the past 3 years, current ratio increased in 2020 (3.7x, +124.3%), 2021 (4.3x, +16.0%), 2022 (5.2x, +19.3%), and 2023 (5.5x, +7.2%). This provides financial flexibility and resilience in managing short-term liabilities.
- **Recent Price Uptick:** Palantir has experienced a large price uptick over the last three months as seen below, which may indicate increasing investor interest and confidence in the company's prospects.

Weaknesses:

- **High Valuation Metrics:** Palantir is trading at high earnings, P/E ratio, EBIT, EBITDA, revenue, and Price / Book multiples, suggesting that the stock may be overvalued relative to its earnings, earnings growth, and other financial metrics.
- **Volatility:** Stock price movements are quite volatile, which may increase risk and uncertainty for investors.
- **Risks:** Investing in Palantir is not without its risks. Market volatility, regulatory scrutiny, and dependence on government contracts present notable challenges that investors should be aware of. While Palantir's innovative solutions and strong market position offer significant upside potential, risk management and thorough due diligence are essential for navigating the dynamic landscape of the data analytics industry.

It's essential to consider the company's long-term prospects, competitive positioning, industry trends, and overall market conditions before making investment decisions. Additionally,

diversification and risk management strategies should be considered to mitigate potential downside risks associated with investing in individual stocks.

Overall, Palantir is not focused on maximising profits in the short term. Management is determined to become a market leader by giving companies access to AIP without charging for it. The share price may therefore remain flat for some time unless these non-paying customers are turned into profit-generating customers.

Looking ahead, Palantir forecasts Q1 2024 revenue between $612 - $616 million and adjusted income from operations of $196 - $200 million. For FY 2024, revenue is expected to range between $2.652 - $2.668 billion. Adjusted income from operations is anticipated to be between $834 - $850 million, with adjusted free cash flow estimated at $800 million to $1 billion.

For investors seeking exposure to the data analytics industry, Palantir presents a compelling opportunity. Its innovative products, strong market position, and strategic focus on government contracts position it for long-term growth.