



Exeter Student Investment Fund

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Palantir Technologies [NYSE:PLTR]

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Palantir's two fronted approach to the utilisation of data provides value to a growing number of industries, presenting an attractive long-term investment.

Recommendation: BUY

Current Price: \$24.50

Price Target: \$34.00 (39% upside)

RISKS

- Potential for high cost of sales with regulatory changes and reformed tax laws for TMT companies.
- Revenue growth may slow due to a lack of momentum.

CATALYSTS

- Diversification of clients from government contracts, to a range of different industries with the Foundry arm of the business.
- Increase in new commercial deals and contracts not only in North America, but also in Europe.

Company Overview – History & Strategy



- History:
 - Founded 2003.
 - 30/09/2020 IPO.
 - Headquarters: Denver, Colorado
- Strategy:
 - Focus on the augmentation of human intelligence.
 - Using data solutions to protect client's civil liberty and provide solutions and assistance to problems and projects.
- Stock Performance:
 - Current Price: \$24.50
 - Historic highest price: \$35.18
 - Market Cap: \$45.97bn



Source: FT

Company Overview – Management



CEO – Alexander Karp

- Co-founded Palantir in 2004.
- Bachelors at Haverford College, Juris Doctor at Stanford Law School, PhD from the Goethe University (Frankfurt).
- Founded the Caedmon Group in 2002.



Co-Founder, President, Secretary & Director – Stephen Cohen

- Co-founder of Palantir, having worked with Thiel at Clarium Capital.
- B.S Computer Science at Stanford.
- Created the initial prototype of Palantir in eight weeks.
- Hands-on approach in the company

Institutional Shareholders:



- Point72 Asset Management LP: 29.2m shares.
- Vanguard Group: 20.35m shares.
- JP Morgan Chase Bank: 18.84m shares.
- Soros Fund Management LLC: 18.46m shares.
- Blackrock Advisors LLP: 18.34m.

Company Overview – Business Model



Gotham:

- Built primarily for the use of governmental organisations, namely the US military, FBI, CIA & NSA.
- Gotham integrates and coordinates data then protects these sources while also using this data to analyse
- Use of Gotham: 2018 Hurricane Florence (NC & SC).

Foundry:

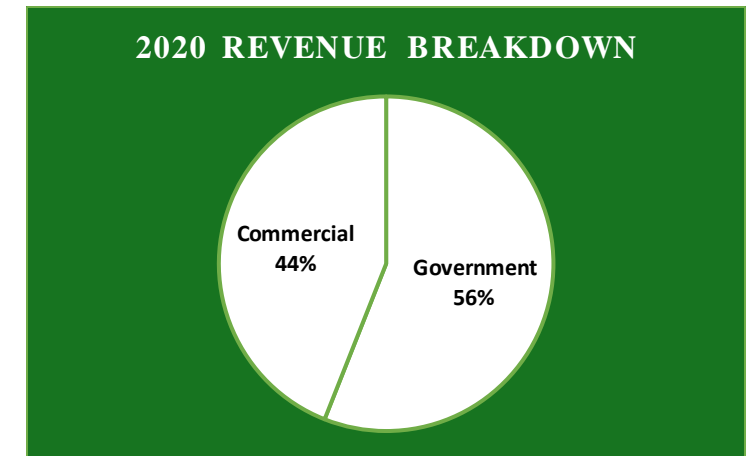
- More tailored to businesses, to support new projects.
- Fundamentals; Data integration, knowledge management, search and discovery, and collaboration.
- Foundry is incredible versatile across all industries.
- Competitive edge of Foundry; Integration power, modularity & interoperability, full-stack analytics software and ease of use.

Apollo:

- Delivery software which facilitates Palantir's SaaS platforms (Gotham & Foundry).

Revenues:

- Revenue from commercial clients increased by 22% YoY.
- 2020: \$1.039bn
- Some RPOs left off the Q4 earnings, more to expect in 2021.
- US business had the highest revenue growth of 107% YoY from US commercial clients.
- 125+ customers YE 2020, average revenue per customer of \$5.6m in 150 countries, across 36 sectors.





Catalysts:

- Foundry's potential:
 - Growing commercial application and awareness of successive projects from Palantir's Foundry arm.
 - Unlimited application of Foundry technology across all industries.
- Gotham as a staple for Palantir's income:
 - Will remain a core aspect of Palantir's revenues.
 - Wide compatibility across public and governmental affairs.

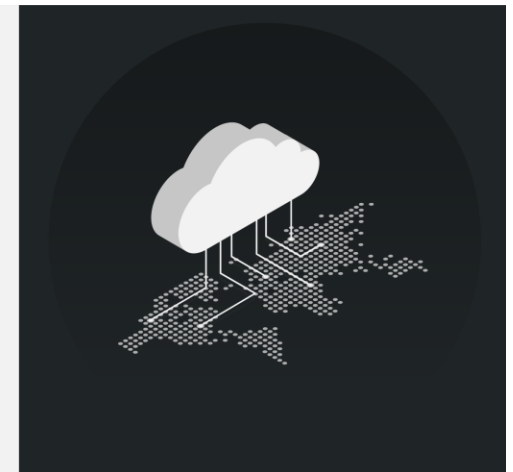
Risks:

- Stock based compensation:
- Competitive environment surrounding data analytics.
- Foundry's is still new.
- Low concentration of clients.

Integrating the
authentication systems
of IBM Cloud Pak and
Palantir Foundry



palantir.com





- **Revenue:**
 - Revenue growth of 40% (Q4 2019 – Q4 2020).
 - Revenue growth of 47% YoY.
 - PLTR expectations of 30% YoY revenue growth with a \$4bn revenue target for 2025.
- **Gross Margins:**
 - Increased from 67% to 78% YoY.
- **EBITDA Margins:**
 - Improved from -43% to -10% YoY, largely due to stock-based compensation in 2020.
- **Unlevered Pre-Tax Cashflow Margins:**
 - Fallen from -27% to -33% YoY, expectations of improvement and positive by 2022-23, dependent on 30-40% revenue growth YoY.
- **Balance Sheet:**
 - \$1.8bn cash, issuance of more debt or equity can increase this cash cushion.
- **P/E Ratio:**
 - Current P/E ratio in the region of 250, with estimates for this to lower to around 55 in 2021.



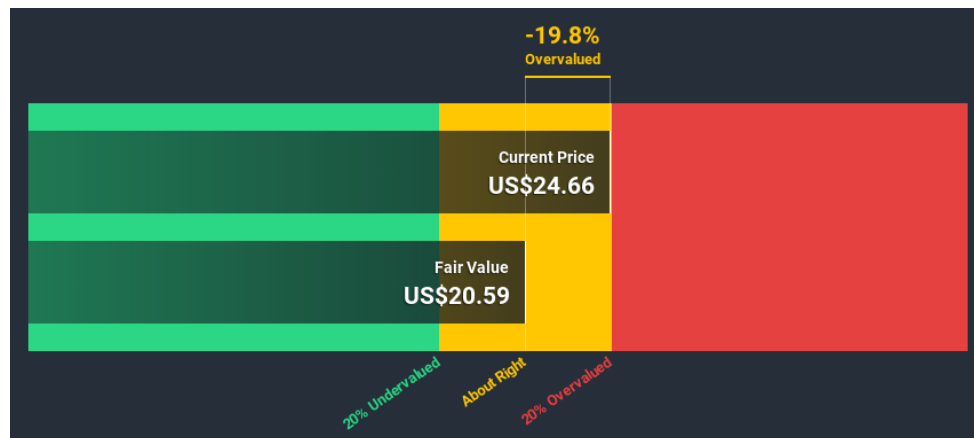
10-year free cash flow (FCF) estimate

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levered FCF (\$, Millions)	US\$64.6m	US\$275.7m	US\$599.2m	US\$1.02b	US\$1.37b	US\$1.70b	US\$2.00b	US\$2.26b	US\$2.48b	US\$2.66b
Growth Rate Estimate Source	Analyst x4	Analyst x2	Analyst x1	Analyst x1	Est @ 33.96%	Est @ 24.39%	Est @ 17.68%	Est @ 12.99%	Est @ 9.7%	Est @ 7.41%
Present Value (\$, Millions) Discounted @ 7.1%	US\$60.3	US\$240	US\$488	US\$775	US\$969	US\$1.1k	US\$1.2k	US\$1.3k	US\$1.3k	US\$1.3k

Present Value of 10y Cash Flow (PCVF) = \$8.9bn

Terminal Value = \$54bn (*Using the Gordon Growth Formula*).

Present Value of Terminal Value (PVTV) = \$27bn



- Goldman Sachs price target of \$34.

Source: Yahoo Finance, Simply Wall St.



- Palantir themselves uphold ESG standards.
- The work and client solutions are more important to analyse for a more accurate reflection of PLTR following ESG principles.
- Contracts that have been signed have largely certainly ESG principles, in each aspect:
 - Environment: BP contract, aiming to move BP to net zero emissions.
 - Social: Healthcare contracts including the NHS & involvement with pharmaceutical companies.
 - Governance: Contracts with the military, NSA, CIA & FBI and a UK Government contract regarding immigration.
- Threats to ESG:
 - High level of secrecy with many of Palantir's government contracts which cannot be disclosed. Potentially certain investors will have moral objections to this.
 - The ICE (Immigration and Customs Enforcement) has had accusations of large scale human rights violations.



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Closing Statements and Q&A