

EQUITY RESEARCH · INITIATION OF COVERAGE · ENTERPRISE SOFTWARE / AI

Palantir Technologies Inc. (NASDAQ: PLTR)

The growth is real. So is the tax bill nobody is modeling.

RATING	PRICE (8/14/26)	FAIR VALUE	12-MO TOTAL RETURN	RISK / REWARD
HOLD	\$174.04	\$163	-6.5%	0.86 : 1

DISCLAIMER · This is not investment advice and is not a recommendation to buy or sell any security. 2 Comma Investor (@2commainvestor) is not a registered investment adviser or broker-dealer. This report is opinion, published for educational purposes only. The author may hold a position in PLTR. Fair-value estimates are opinions, not predictions. Palantir has not effected a stock split; per-share figures are as reported. Investing in equities involves risk of loss, including total loss of principal. Do your own due diligence. Full disclosures on the final page.

We are initiating on Palantir with a **HOLD** and a \$163 fair value.

Start with what is not in dispute. Palantir grew revenue 93% year over year in the second quarter of 2026, to \$1,935M. It did so while running an 85% gross margin and a 62% adjusted operating margin, and its Rule of 40 score reached 155. Growth is *accelerating*: 63%, then 70%, then 85%, now 93% across the last four quarters.

Companies at an \$8B revenue run rate do not normally accelerate. We have looked for the catch in the operating numbers and we cannot find one. The bull case here is not a story, it is arithmetic, and anyone dismissing this as hype has not read the filings.

Our hesitation is entirely about price, and about one specific item inside the earnings that we think the market is capitalizing without adjusting. Palantir paid an effective tax rate of **1.4%** in the quarter. Its own non-GAAP reconciliation assumes a long-term rate of 23%. The accumulated deficit that shelters those earnings fell from \$3.56B to \$1.63B in six months.

Normalize the tax rate to the company's own assumption and annualized EPS goes from \$1.64 to \$1.29, which moves the multiple from 106x to 135x. Nothing about the business changes. Only the tax line does.

SNAPSHOT	
Market cap (diluted)	\$447B
Enterprise value	\$438B
Net cash	\$9.4B
Debt	None
Q2'26 revenue	\$1,935M
Q2'26 growth	+93%
Rule of 40	155
Gross margin	85%
Adj. op margin	62%
FY26E revenue	\$8.15B
EV / FY26E revenue	54x
EV / FY26E adj. op	89x
P/E (ann. Q2)	106x
P/E at 23% tax	135x
Effective tax rate	1.4%
From ATH close	-16%

THE CALL IN ONE PARAGRAPH · Palantir is executing better than almost any software company ever has at this scale, and we are not disputing the quality of the business. At \$174.04 the enterprise value is \$438B, or 54 times this year's guided revenue. For that price to be right, Palantir needs to grow revenue roughly 79% again in 2027 *and* still command 30 times forward revenue at the end of it. That is not impossible; it is what the bull case actually requires. Meanwhile the tax shield expires, worth about \$0.93B a year of reported earnings. We would rather own this at a price that does not need both. Fair value \$163.

1 · The quarter

The bull case, stated as strongly as it deserves

We want to make the case for Palantir properly before we argue with it, because most bearish writing on this company attacks a version of the numbers that does not exist.

Revenue grew 93% year over year to \$1,935M, and 19% sequentially.

Growth accelerated. The last four quarters ran 63%, 70%, 85%, 93%. Acceleration at this revenue scale is close to unprecedented in enterprise software.

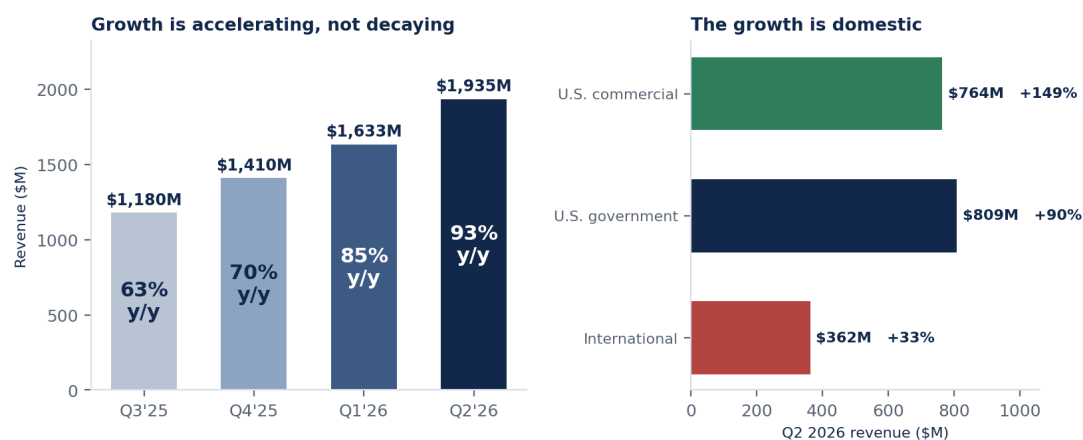
U.S. commercial revenue grew 149% to \$764M; U.S. government grew 90% to \$809M. Total U.S. revenue rose 115%.

Margins expanded while growing. GAAP operating margin 47%, adjusted operating margin 62%, adjusted free cash flow \$1,220M at a 63% margin.

Rule of 40 score of 155. A company scoring above 40 is considered healthy. Palantir is at nearly four times that.

The balance sheet is pristine. \$9.4B of cash and Treasuries, zero debt of any kind, and GAAP profitable in every quarter.

Backlog supports it. Closed total contract value of \$3.37B, up 49%, and U.S. commercial remaining deal value of \$6.24B, up 124%.



Management raised full-year revenue guidance to \$8.15B to \$8.16B, implying roughly 82% growth for the year, and raised adjusted free cash flow guidance to \$4.5B to \$4.7B. Guidance has been raised at every quarter this year. This is not a company papering over a slowdown.

Two things inside the growth worth noticing

It is almost entirely domestic. The U.S. is 81% of revenue and grew 115%. International revenue, the residual, was roughly \$362M and grew about 33%. If the thesis is that AI sovereignty is a global phenomenon, the international line is not yet showing it.

The backlog figure is a best case by construction. Palantir states plainly in its own release that total contract value, annual contract value and remaining deal value all presume the exercise of every contract option and no terminations, while the majority of its contracts are terminable, including for convenience. That does not make the number wrong. It makes it a ceiling rather than a commitment, and it should be read that way.

2 · The tax line

The largest unmodeled item in the story

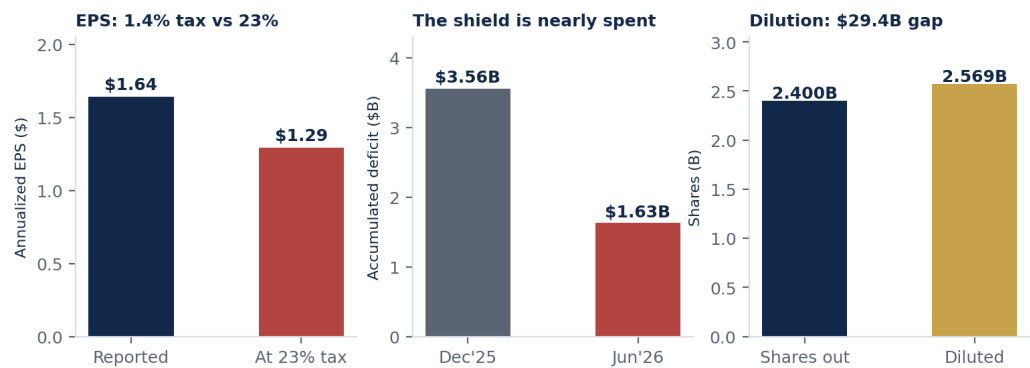
This is the part of the Palantir debate we think is genuinely underexamined, and it comes entirely from the company's own filings.

In the second quarter Palantir reported income before taxes of \$1,081M and a provision for income taxes of \$15M. That is an effective rate of **1.42%**. For the first half the rate was 1.40%. A company earning nearly \$2B before tax in six months paid under 1.5% on it.

This is not aggressive accounting. It is the ordinary consequence of years of losses producing carryforwards that now shelter profits. It is entirely legitimate, and it is entirely temporary.

Palantir agrees. In the reconciliation of adjusted earnings in the same release, the company applies an estimated long-term annual effective tax rate of **23%**. That is the company's own view of what it will eventually pay, disclosed in a footnote on the same page as the 1.4% it actually paid.

Two real costs the headline earnings number does not carry



The size of the gap is straightforward to compute:

Q2 2026	As reported	At 23% tax	Difference
Income before taxes	\$1,081M	\$1,081M	—
Provision for income taxes	\$15M	\$249M	\$233M
Net income to common	\$1,062M	\$829M	\$233M
Diluted EPS	\$0.41	\$0.32	\$0.09
Annualized EPS	\$1.64	\$1.29	\$0.35
P/E at \$174.04	106x	135x	+29x

Roughly **\$0.93B a year** of reported earnings comes from a tax position that the company itself does not expect to persist. On when it runs out, the balance sheet is suggestive: the accumulated deficit fell from \$3.56B at December 31 to \$1.63B at June 30, a reduction of \$1.93B in six months that exactly matches first-half net income. At that pace the remaining balance is absorbed within roughly three quarters.

We want to be precise about the limits of that inference. Accumulated deficit is a book measure and net operating loss carryforwards are a tax measure; they are related but not identical, and the timing of the step-up will depend on jurisdiction mix, valuation allowance releases, and stock compensation deductions. What is not in doubt is the direction, or the company's own stated destination of 23%.

3 · The debate

The bull case, and where we part company

THE BULL CASE	OUR RESPONSE
Growth is accelerating at \$8B scale, which almost never happens. Pay up for the rarest thing in software.	We agree it is rare and we agree it is real. Our disagreement is about what is already in the price. At 54x current-year revenue, today's price requires roughly 79% growth again next year and a 30x exit multiple to merely break even.
A 62% adjusted operating margin with 93% growth is a Rule of 40 score of 155. No comparable company exists, so historical multiples do not apply.	The operating performance genuinely is exceptional. But 'no comparable exists' is an argument for uncertainty, not for a higher number. Every company that has ever been described that way eventually got compared to something.
GAAP profitable every quarter, \$9.4B of net cash, zero debt. This is not a 2021 story stock.	Correct, and it is why we are at HOLD rather than SELL. But GAAP net income is currently flattered by a 1.4% tax rate. On the company's own long-run rate the multiple is 135x, not 106x.
The stock has already de-rated. It is 16% below its all-time closing high while earnings have more than tripled.	True, and it is the strongest argument for waiting rather than selling. A de-rating that has begun can continue: the multiple is still near the top of anything software has sustained.
Adjusted EPS equals GAAP EPS, so the non-GAAP figures are not the usual gimmick.	This is a fair point in Palantir's favor and we will make it for them. The adjusted reconciliation adds back stock compensation but then taxes the result at 23%, and the two roughly cancel. Their adjusted number is more conservative than most. The GAAP number is the flattered one.
Stock-based compensation is falling as a share of revenue, so dilution is a shrinking problem.	Also true: 15.9% of revenue a year ago, 13.7% now. But the absolute overhang is still 169M shares between basic and diluted, about \$29B at today's price. Improving is not the same as immaterial.

Reduced to a sentence: this is the best operating performance on our coverage board, at a price that requires it to continue for years without interruption.

4 · Valuation

What the price already assumes

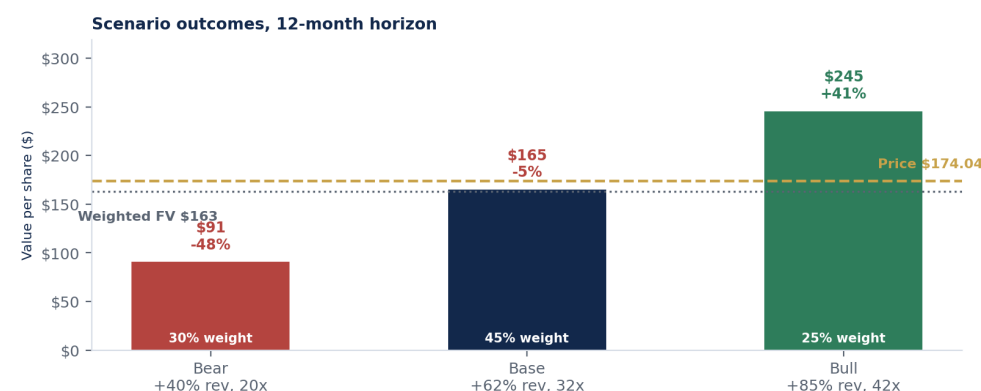
Palantir is not sensibly valued on trailing earnings, so we do not lead with them. We value it on enterprise value to forward revenue, which is how the market actually prices software at this growth rate, and we show what today's price implies rather than only what we think it is worth.

Holding the exit multiple constant across a range, this is the 2027 revenue the current enterprise value of \$438B requires, measured against this year's guided \$8.15B:

Exit EV/revenue	Implied FY27 revenue	Implied 2027 growth	Comment
20x	\$21.88B	+168%	Mature software multiple
25x	\$17.51B	+115%	High-growth software
30x	\$14.59B	+79%	Our base-case zone
35x	\$12.50B	+53%	Premium sustained
40x	\$10.94B	+34%	Near today's multiple
50x	\$8.75B	+7%	Multiple never compresses

Read the middle rows carefully. To justify today's price on a 30x exit multiple, Palantir must grow revenue 79% in 2027, having grown 82% in 2026. To justify it on 40x, growth of 34% suffices, but the multiple has to stay near where it is today for another full year. Both are possible. Neither is conservative, and the price offers no compensation if either fails.

Scenarios



Scenario	FY27 growth	FY27 revenue	Exit mult.	Value/share	Return	Wt.
Bear	+40%	\$11.42B	20x	\$90.73	-47.9%	30%
Base	+62%	\$13.21B	32x	\$164.92	-5.2%	45%
Bull	+85%	\$15.08B	42x	\$245.40	+41.0%	25%
Weighted				\$162.79	-6.5%	100%

Bear. Growth decelerates toward 40% as the U.S. commercial land-grab matures, and the multiple converges toward where high-growth software has historically settled.

Base. Growth moderates from 93% but stays exceptional, backlog converts on schedule, and the market keeps paying a large premium for 62% adjusted margins.

Bull. The 18-month runway management describes proves right, international finally inflects, and the multiple holds near where it sits today.

5 · Financial summary

Metric	Q2 FY26A	Q1 FY26A	Q2 FY25A	FY26E
Revenue	\$1,935M	\$1,633M	\$1,004M	\$8.15B
Y/Y growth	+93%	+85%	+48%	+82%
Gross profit	\$1,639M	n/a	n/a	n/a
Gross margin	85%	n/a	n/a	n/a
Income from operations	\$912M	n/a	\$269M	n/a
GAAP operating margin	47%	n/a	27%	n/a
Adj. income from ops	\$1,194M	\$984M	\$464M	\$4.89B
Adj. operating margin	62%	60%	46%	60%
Income before taxes	\$1,081M	n/a	n/a	n/a
Provision for taxes	\$15M	n/a	n/a	n/a
Effective tax rate	1.4%	n/a	n/a	n/a
Net income to common	\$1,062M	\$871M	\$327M	n/a
Diluted EPS	\$0.41	\$0.34	\$0.13	n/a
Adj. free cash flow	\$1,220M	\$925M	\$569M	\$4.6B
Stock-based comp.	\$265M	n/a	\$160M	n/a
SBC as % of revenue	13.7%	n/a	15.9%	n/a
Rule of 40	155	145	n/a	n/a
Cash and securities	\$9.41B	\$8.0B	n/a	n/a
Debt	None	None	None	None

A = actual, E = company guidance midpoint. Fiscal year ends December 31. Adjusted measures are non-GAAP as defined and reconciled by the company; adjusted income from operations excludes stock-based compensation and related employer payroll taxes. Palantir has not effected a stock split, so all per-share figures are as reported.

Valuation at \$174.04

Metric	Value	Metric	Value
Shares outstanding	2.403B	Diluted shares	2.569B
Market cap (diluted)	\$447B	Enterprise value	\$438B
EV / revenue (TTM)	71x	EV / revenue (FY26E)	54x
EV / adj. op. inc. (FY26E)	89x	P / adj. FCF (FY26E)	97x
P/E (annualized Q2)	106x	P/E at 23% tax	135x
Price / book	46x	Dividend	None

6 · Risks

What would change our mind, in both directions

Sev.	Risk	Assessment
HIGH	Multiple compression	At 54x forward revenue the multiple is the dominant driver of the outcome, not the earnings. Our bear case assumes no operational disaster at all: growth of 40%, which most software companies would celebrate, combined with a 20x multiple, still produces a price near \$91. The valuation is the risk.
HIGH	Tax normalization	An effective rate of 1.4% against a stated long-term 23% is worth roughly \$0.93B of annual reported earnings. When it steps up, headline EPS growth decelerates sharply for reasons that have nothing to do with the business, at a moment when the stock is priced for uninterrupted acceleration.
MED	Growth deceleration mechanics	Growth this fast is partly a function of a small base in U.S. commercial. As that base compounds, the same dollar additions produce lower percentages. The deceleration does not require anything to go wrong; it is arithmetic, and the only question is the timing.
MED	Government concentration and politics	U.S. government was \$809M of the quarter. Federal contracting is exposed to budget cycles, administration changes, protests, and reputational controversy around specific agency deployments. It is durable revenue with political beta attached.
MED	Backlog conversion	Remaining deal value assumes all options exercised and no terminations, while the majority of contracts are terminable for convenience. A gap between booked and realized would show up first as decelerating revenue against an unchanged backlog headline.
LOW	Dilution	169M shares sit between the basic and diluted counts, roughly \$29B at today's price. Stock compensation is falling as a share of revenue, which is why we rank this low rather than absent.
LOW	Competitive encroachment	Hyperscalers and model providers are moving up the stack toward the orchestration layer Palantir occupies. No evidence of share loss in these results, but the direction of travel is worth watching.

What would move us to a BUY

A price nearer \$91 to \$128 without a corresponding deterioration in the business, which would offer a margin of safety rather than requiring perfection.

International revenue inflecting to anything close to the U.S. growth rate, which would materially widen the runway and support the current multiple for longer.

A tax step-up that lands and is absorbed without the multiple breaking, which would remove the single largest unmodeled item in the story.

What would move us to a SELL

Growth decelerating below roughly 50% while the multiple holds above 40x forward revenue.

Backlog growth stalling or remaining deal value converting materially below expectations, which would undercut the visibility argument that supports the premium.

Methodology, sources & disclosures

Methodology

Fair value of \$163 is the probability-weighted average of three scenarios. Each applies an exit enterprise value to forward revenue multiple to a fiscal 2027 revenue estimate, then bridges to equity value by adding net cash of \$9.4B and subtracting debt of zero. Fiscal 2027 revenue is built by growing the midpoint of company guidance for fiscal 2026 (\$8.15B) at the scenario growth rate. Share count is the current diluted weighted average grown 2% to reflect ongoing net dilution. There is no dividend, so total return is price change only.

We use enterprise value to forward revenue rather than earnings multiples because at this growth rate trailing earnings carry almost no information, and because the reported earnings are distorted by the tax position discussed on page three. Where we do show an earnings multiple, we show it both as reported and normalized to the company's own stated long-term tax rate, because the difference is large enough to change the conclusion.

The implied-expectations table inverts the same model: for each exit multiple it solves for the fiscal 2027 revenue that today's enterprise value would represent, and expresses it as a growth rate against this year's guidance. We consider this more informative than our point estimate, because it states the assumption the market is making rather than substituting ours for it.

Scenario weights (30% bear, 45% base, 25% bull) reflect our view that some deceleration from 93% is near-certain arithmetic, that the pace of it is genuinely uncertain, and that the exit multiple carries more of the outcome than the revenue estimate does. We have shown the multiple's sensitivity rather than defending a single number.

Sources

All company figures are taken from primary sources: the second quarter 2026 earnings press release and accompanying condensed consolidated financial statements dated August 3, 2026, covering the quarter ended June 30, 2026; the first quarter 2026 earnings release of May 4, 2026; and the Annual Report on Form 10-K for the fiscal year ended December 31, 2025. Revenue, margins, tax provision, share counts, balance sheet items, contract value metrics, and all guidance figures are as disclosed in those documents. Quarterly figures for the first quarter of 2026 are derived by subtracting reported second quarter figures from reported first half figures. Segment revenue for international is derived as total revenue less disclosed U.S. revenue.

The reference price of \$174.04 is the closing price on August 14, 2026, the last trading day before publication, verified against three independent sources; the prior session closed at \$179.01. The all-time closing high of \$207.18 was set on November 3, 2025. Palantir has not effected a stock split, so no per-share restatement applies. No figure in this report was estimated where a reported figure exists.

Scoring

This call will be scored on **August 15, 2027**, twelve months from publication, against the total return of the S&P 500 over the same period. Consistent with our published scoring policy, a HOLD is recorded as correct if the excess return of PLTR over the benchmark is below positive five percentage points. The rule was fixed before the result is known and will not be revised afterward. The scoring methodology is published in full at twocommainvestor.com/scoring.html.

Disclosures

2 Comma Investor is not a registered investment adviser, broker-dealer, or financial planner, and nothing in this report is investment advice or a recommendation to buy or sell any security. This report is opinion, published for educational purposes only. The author may hold a position in the securities discussed and may transact at any time without notice. Fair value estimates and scenario weights are opinions based on information believed reliable at the publication date; they are not guarantees, and actual results will differ. Forward-looking statements are subject to risks and uncertainties outside our control, including customer demand, government budgets, competition, tax policy, and capital market conditions. Past performance does not indicate future results. Investing in equities involves risk of loss, including total loss of principal. Consult a licensed financial professional before making any investment decision.

Corrections to this report will be published with a dated notice at twocommainvestor.com in accordance with our corrections policy. Contact: contact@twocommainvestor.com.