Palantir (PLTR) / 4 Nov 24 / 2024 Q3 Earnings call transcript

Company Profile

Transcript menu

Ana Soro	executive
Ryan Taylor	executive
Shyam Sankar	executive
David Glazer	executive
Alexander Karp	executive
Daniel Ives	analyst
Mariana Perez Mora	analyst

Ana Soro

Print

Good afternoon. I'm Ana Soro from Palantir's finance team, and I'd like to welcome you to our third quarter 2024 earnings call. We'll be discussing the results announced in our press release issued after the market closed and posted on our Investor Relations website.

During the call, we will make statements regarding our business that may be considered forward-looking within applicable securities laws, including statements regarding our fourth quarter and fiscal 2024 results, management's expectations for our future financial and operational performance, and other statements regarding our plans, prospects and expectations. These statements are not promises or guarantees and are subject to risks and uncertainties, which could cause them to differ materially from actual results.

Information concerning those risks is available in our earnings press release distributed after the market closed today and in our SEC filings. We undertake no obligation to update forward-looking statements, except as required by law.

Further, during the course of today's call, we will refer to certain adjusted financial measures. These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from GAAP measures.

Additional information about these non-GAAP measures, including reconciliation of non-GAAP to comparable GAAP measures is included in our press release and investor presentation provided today.

Our press release, investor presentation and other earnings materials are available on our Investor Relations website. and investors@palantir.com.

Over the course of the call, we will refer to various growth rates when discussing our business. These rates reflect year-over-year comparisons unless otherwise stated.

Joining me on today's call are Alex Karp, Chief Executive Officer; Shyam Sankar, Chief Technology Officer; Dave Glazer, Chief Financial Officer; and Ryan Taylor, Chief Revenue Officer and Chief Legal Officer. I'll now turn it over to Ryan to start the call.

Ryan Taylor

Our results are exceptionally strong. Revenue grew 30% year-over-year in Q3, driven by an intensifying AI revolution that the U.S. is rapidly driving.

Our U.S. business achieved 44% year-over-year and 14% sequential revenue growth.

We are focused on deploying AI models in production amidst the commoditization of cognition caused by the rapid advancement in AI models.

Our U.S. government business revenue growth accelerated to 40% year-over-year and 15% sequentially, while our U.S. commercial business momentum continued with 54% year-over-year and 13% sequential revenue growth.

This AI revolution that is transforming industry as well as government is also transforming markets. In September, the S&P 500 added Palantir to its index, a testament to our exceptional growth, profitability and market leadership amidst the singular era of accelerating technological progress. We're witnessing the commoditization of cognition with the rapid advancement of AI models. Almost all investment in the AI space has been focused on supplying and improving these models.

What will differentiate the AI haves from the have-nots is the ability to maximally leverage these models in production by capitalizing upon the rich context within the enterprise. This is Palantir's focus. We see this in the results we're delivering for our customers. Those who embrace quantified exceptionalism through AIP, are able to take advantage of the commoditized cognition in a levered way to advance their differentiation.

In this winner take all AI economy, the divide is widening between those who are leveraging AIP and those who are not. At a leading global insurance organization, AIP has helped automate key underwriting workflows, reducing the typical underwriting response time from over 2 weeks to 3 hours. We implemented over 10 business use cases in just 9 months at associated materials, increasing its on-time in-full delivery rates from 40% to 90%. At Trinity Rail, it took just 3 months to get to a functional workflow with a $30 million impact to its bottom line.

Last quarter, we closed 104 deals over $1 million. The evolving deal cycle as we take customers from prototype to production is having a particularly phenomenal effect on the growth of our U.S. commercial business, which continues to see AIP driven momentum both in expansions and new customer acquisitions. In U.S. commercial, we closed nearly $300 million of TCV, and customer count grew 77% year-over-year compared to 37% year-over-year in

Q3 2023.

To highlight a few notable deal cycles. A large American equipment rental company expanded its work with us less than 8 months after converting to an enterprise agreement, increasing the account ARR 12-fold. A bottled water manufacturer, a specialty pharmaceutical company and an agricultural software provider, all signed 7-figure ACV deals less than 2 months after their initial boot camps. In our U.S. government business, we are outfitting our war fighters with advantages over our adversaries.

Last quarter marked our U.S. government businesses continued strength through the end of the U.S. government fiscal year. It was our strongest sequential growth in 15 quarters. driven largely by our DoD businesses 21% quarter-over-quarter growth. We remain proud of our progress delivering the next-generation targeting node through Titan with our efforts fully ramping throughout Q3.

Palantir is also delivering AI through Maven Smart System, allowing customers like the 18th airborne to match the performance of what used to be a 2,000 staff targeting cell during Operation Iraqi Freedom to a targeting cell of roughly only 20 people today. Last quarter, Palantir signed a new 5-year contract to expand these Maven Smart System AI/ML capabilities across the U.S. military services. including the Army, Air Force, Space Force, Navy and U.S. Marine Corps as Vice Admiral Frank Whitworth recently said, "This partnership is tantamount to ensuring that we keep America safe and ready."

The AI revolution is underway now. The chasm between the AI haves and have-nots is rapidly widening and the whole world is watching. I'll now turn it over to Shyam.

Shyam Sankar

Thanks, Ryan. The divide between AI haves and have nots is rapidly accelerating in this winner-take-all AI economy. What will differentiate the AI haves from the have not is the ability to maximally leverage these models in production by capitalizing upon the rich context within the enterprise. That's why our focus on delivering proof not proof of concepts continues to pay off, years of foundational investments in our infrastructure and in ontology have positioned us uniquely to harness and deliver on AI demand.

This is Palantir's focus. The market has been focused on AI supply, the models. We see this clearly in the progress, but also in the capital sunk into these models. Indeed, the models continue to improve. But more importantly, the models across both open and closed source are becoming more similar. They are converging, all while pricing for inference is dropping like a rock. This only strengthens our conviction that the value is in the application and workflow layer, which is where we excel.

Tapping into this rapidly expanding pool of leverage from AI labor, means more than just saving money, it means a massive acceleration of results for our customers.

As Ryan mentioned, we have automated the insurance underwriting process for 1 of America's largest and most well-known insurers with 78 AI agents, taking a process that took 2 weeks to 3 hours. More than the labor savings, this presents the customer with an asymmetrical advantage in the marketplace to buying contracts before the competition has even gotten through 15% of their process.

In U.S. government, we automated the form disclosure process for sharing critical and timely intelligence with allies from 3 days to 3 hours. The center for security and emerging technologies at Georgetown published a study on Maven that showed how the entire targeting and fires process can be done in Maven with 20 people, it used to take 2,000. There is a huge opportunity for our customers to automate the tail and liberate capital to reinvest in the [tooth] across government and commercial. We see enterprise autonomy as a key theme in our proof.

Our deep investments in [CJADC2] Combined Joint All Domain Command and Control continue to meet their moments.

First and foremost, Maven has powered responses to real-world events across the globe. This past quarter, the Army was the first military department or [Milde] to adopt Maven. We're happy with the progress that we continue to make with Army Titan and AIDP and Palantir's role as the application integrator in the joint buyers network.

Maven is our military [site to night] solution. At a time when North Korean troops are in Ukraine, Russia is providing satellite intelligence to the [utes] and Iran is launching ballistic missiles at allies.

We are investing aggressively to expand the perimeter to give our war fighters the unfair advantage they deserve, advanced multi in-sensor infusion, integrated logistics into fires and large-scale command and control of storms of autonomous systems.

We announced Warp Speed last quarter, our modern American manufacturing operating system. We, as a nation, must reindustrialize to prevent escalating conflict and regain deterrence.

Before the fall of the Berlin Wall, only 6% of major weapon system spend went to defense specialists, the so-called [PRIMEs]. 94% went to dual-purpose companies who were invested in both freedom and prosperity. Chrysler built cars and missiles, forward-build satellites until 1990, and General Mills, the cereal company made weapons.

Today, that 6% has become 86% when including firms whose only commercial exposure is in aerospace. We won World War II and the cold or with an American industrial base, not a defense industrial base. And we need to bring that back at warp speed. And in addition to working with new champions like Andre and Shield AI, we're also working with L3 Harris and 2 other of the big primes to help them bend Adams better with bits.

Lastly, we continue to invest in AIP as a developer platform. Green suitors at the 18th Airborne Core built 15 applications in our developer environment for their August warfighter exercise. Army software factory is cranking out software at units in Europe and even for the Vice Chief of Staff of the Army.

The 101st built their search and rescue common operating picture to power Hurricane Helene response, built entirely by uniform service members.

We have released our JADC2 SDK, including examples and documentation for government and third-party developers to start building on at palantir.com/defense/sdk. And we have Devcon this month, our first gathering, specifically for AIP platform developers across commercial and government, where we will be releasing a ton of new product investments. and enhanced OSTK, more ergonomic compute modules, the multimodal data plane and much more.

I'll turn it over to Dave to talk us through the financials.

David Glazer

Thanks, Shyam. Q3 was an exceptionally strong quarter as revenue growth accelerated to 30% year-over-year, exceeding the high end of our prior guidance by nearly 450 basis points.

As America rapidly embraces the AI revolution, this increase in AI demand has driven the outperformance in our U.S. business, which grew 44% year-over-year.

Our U.S. commercial business grew 54% year-over-year and 13% sequentially.

Our U.S. government business grew 40% year-over-year and 15% sequentially, a sevenfold increase compared to the prior year period growth rate and the strongest growth we've seen in 15 quarters.

On the back of this strength, we are increasing our full year revenue guidance midpoint to $2.807 billion, representing a 26% year-over-year growth rate. We delivered these outstanding top line results while expanding adjusted operating margin to 38% and highing the strong unit economics of our business.

Our revenue and profitability drove a 4-point sequential increase to our Rule of 40 score from 64 in the second quarter to 68 in the third quarter.

We had an exceptional cash flow quarter. with cash from operations of $420 million and adjusted free cash flow of $435 million, representing margins of 58% and 60%, respectively. On a trailing 12-month basis, we generated over $1 billion in adjusted free cash flow for the first time in the company's history. We're also proud to have joined the S&P 500 last quarter, underscoring our sustained profitability and growth.

Turning to our global top line results. Revenue continues to accelerate as we see continued momentum from AIP. We generated $726 million in revenue, up 30% year-over-year and 7% sequentially.

Excluding the impact of revenue from strategic commercial contracts, third quarter revenue grew 32% year-over-year and 7% sequentially. Customer count grew 39% year-over-year and 6% sequentially to 629 customers. Revenue from our largest customers continues to expand.

Third quarter trailing 12-month revenue from our top 20 customers increased 12% year-over-year to $60 million per customer.

Now moving to our commercial segment.

Third quarter commercial revenue grew 27% year-over-year and 3% sequentially to $317 million.

Excluding the impact from strategic commercial contracts, commercial revenue grew 30% year-over-year and 3% sequentially.

Third quarter commercial TCV booked was $612 million, representing 52% growth year-over-year and 62% growth sequentially.

Our U.S. commercial business continues to see unprecedented demand with AIP driving both new customer conversions and existing customer expansions in the U.S. as we continue to deploy AM models in production.

Third quarter U.S. commercial revenue grew 54% year-over-year and 13% sequentially to $179 million.

Excluding revenue from strategic commercial contracts, U.S. commercial revenue grew 59% year-over-year and 12% sequentially. In the third quarter, we booked $297 million of U.S. commercial TCV representing 13% growth sequentially. Total remaining deal value in our U.S. commercial business grew 73% year-over-year and 7% sequentially.

Our U.S. commercial customer count grew to 321 customers reflecting 77% growth year-over-year and 9% growth sequentially.

We generated $138 million in international commercial revenue in the third quarter, representing 3% growth year-over-year but a 7% sequential decline as a result of continued headwinds in Europe and a step down in revenue from a government-sponsored enterprise in the Middle East. Despite those headwinds, we continue to build on our transformational work with some of our largest international customers, including signing a multiyear renewal with BP.

We also continue to capitalize on targeted growth opportunities in Asia, the Middle East and beyond.

Revenue from strategic commercial contracts was $9.6 million for the quarter. We anticipate fourth quarter 2024 revenue from these customers to decline to between $6 million to $7.5 million compared to $20 million in the fourth quarter of 2023.

We continue to anticipate 2024 revenue from these customers to be less than 2% of full year revenue.

Shifting to our Government segment.

Third quarter Government revenue grew 33% year-over-year and 10% sequentially to $408 million.

Third quarter U.S. government revenue accelerated $320 million, representing 40% growth year-over-year and 15% growth sequentially. This acceleration was driven by continued execution in existing programs. new awards reflecting the growing demand for AI in our government software offerings and favorable deal timing in the quarter, coupled with the government year-end cycle.

Third quarter international government revenue was $89 million, representing 13% growth year-over-year. but a 5% sequential decline as a result of revenue catch-up in Q2 that we noted last quarter and less favorable [timing].

Third quarter TCV booked was $1.1 billion, up 33% year-over-year and 16% sequentially. Net dollar retention was 118%, an increase of 400 basis points from last quarter. The increase was driven both by expansions at existing customers and new customers acquired in Q3 of last year as we see the effect of the AI revolution in both industry and government.

As net dollar retention does not include revenue from new customers that were acquired in the past 12 months, it does not yet fully capture the acceleration in velocity in our U.S. business over the past year.

We ended the third quarter with $4.5 billion in total remaining yield value, an increase of 22% year-over-year and 4% sequentially and $1.6 billion in the remaining performance obligations, an increase of 59% year-over-year and 15% sequentially.

As a reminder, [RPO] is primarily comprised of our commercial business. as it does not take into account contracts with an initial term of less than 12 months and contractual obligations that fall beyond termination for convenience clauses, both of which are common in most of our government business.

Turning to margin and expense. Adjusted gross margin, which excludes stock-based compensation expense, was 82% for the quarter. Adjusted income from operations, which excludes stock-based compensation expense and related employer payroll taxes was $276 million, representing an adjusted operating margin of 38% and marking the eighth consecutive quarter of expanding adjusted operating margins. Q3 adjusted expense was $450 million, up 6% sequentially and 14% year-over-year primarily driven by our continued investment in AIP and technical talent.

We continue to expect expenses to ramp through the fourth quarter as we invest in the product pipeline and accelerate the journey from AI prototype to production.

In the third quarter, we generated GAAP operating income of $113 million, representing a 16% margin. We generated GAAP net income of $144 million, representing a 20% margin.

Third quarter adjusted earnings per share was $0.10, and GAAP earnings per share was $0.06.

As previously communicated, we've aligned our compensation program with the performance of the company's goals, including its stock price.

On the back of the company's strong performance, our inclusion in the S&P 500 and the increase in our stock price, we will continue to monitor if we become required to accelerate stock-based compensation expenses of certain market-based vesting criteria are achieved earlier than expected.

Additionally, our combined revenue growth and adjusted operating margin accelerated to 68% in the third quarter, a 4-point increase to our Rule of 40 score from the prior quarter.

Turning to our cash flow. In the third quarter, we generated $420 million in cash from operations and $435 million in adjusted free cash flow, representing a margin of 58% and 60%, respectively.

For the first time ever, on a trailing 12-month basis, we generated over $1 billion in adjusted free cash flow, representing a margin of 39%.

Through the end of the third quarter, we repurchased approximately 1.8 million shares as part of our share repurchase program.

As of the end of the quarter, we have $954 million remaining of the original authorization.

We ended the quarter with $4.6 billion in cash, cash equivalents and short-term U.S. Treasury securities.

Now turning to our outlook.

For Q4 2024, we expect revenue of between $767 million and $771 million and adjusted income from operations of between $298 million and $302 million.

For full year 2024, we are raising our revenue guidance to between 2.805 billion and $2.809 billion.

We are raising our U.S. commercial revenue guidance to an excess of $687 million, representing a growth rate of at least 50%.

We are raising our adjusted income from operations guidance to between $1.054 billion and $1.058 billion.

We are raising our adjusted free cash flow guidance to an excess of $1 billion. and we continue to expect GAAP operating income and net income in each quarter of this year.

With that, I'll turn it over to Alex for a few remarks, and then Ana will kick off the Q&A.

Alexander Karp

Given how strong our results are I almost feel like we should just go home. But we made -- we've been saying since we went public in a DPO that we would build infrastructure to make America and its allies a dominant force in the world. We claimed to much skepticism that this would be done in the software product that defense and commercial industry would be driven by software, hardware, hybrid technologies that there were very few companies in the world that could actually do that, that these companies are basically only built in America, that the companies that have tried to do this that aren't Palantir are built by ex-Palantirians.

That the financials of Palantir would flow from our products and our culture and our way of implementing, that we would bring violence and death to our enemies while making targeting and general issues of safety better for our allies and for Americans, that we would stand by our values in thick and thin, including that the West and America are superior ways of organizing and that this is a great country and historically anomalous and its greatness and that we would build a company with the best people from all over the world, but primarily from America to power America and its allies.

And even we are shocked by the growth in the U.S. off of a $2 billion base.

So this is not some speculative small base, 44% growth. Even we are happy to see that we grew 30% to see the reacceleration in [USG] to 40% and to see the very, very strong results in U.S. commercial. Also, allied countries that have begun to realize that AI is the way to wait in which to make their defenses superior in the face of brutal, heinous, immoral and often terroristic enemies, where you need a superior form of fighting that's both safer for you and more dangerous for the adversary and controls how you hit them and when and where and allows you to maximize your results.

It is also just jarring to see how America adopts the most important, most agile and most impactful technology independent of who the purveyor and builder of that.

We are building this company, and we are -- we believe we're at the beginning and watching American adoption, both in government and commercial while not forcing us to change while accepting that many of the ideas of how we have of how to make your enterprise better, whether it's insurance has been mentioned oil and gas, any kind of complicated manufacturing supply chain health care, obviously, defense and intel that a new and different way of building software and implementing it, meaning the infrastructure is where the value is.

Despite the fact that as we've -- you may have noticed, many have noticed that the experts that write about these things seem to believe the commodity, i.e., the LLM is the valuable aspect of this and that the actual asset meaning how you manage the commodity is the actual value, despite great skepticism about our view of how to do this, the market seems to have decided what works, works. No matter how theoretically appealing the idea is of building software around how you may have learned to build it in business school is to you as the person not buying the software.

The people buying the software who are allowing our market to grow at 30% in aggregate, 44% in America, 40% in U.S. comp and dramatically -- 40% in U.S. government and dramatically in U.S. comm are speaking with their feet and their implementations, and we're very, very proud of that. And I'm particularly proud to see the war fight or adoption of this.

You see every part of U.S. government, including the White House, Congress, Defense, Intel, beginning to embrace the application of large language models in infrastructure, obviously something that Palantir is particularly specialized in.

And we just -- we are really, I think, as a company enjoying this phase -- when you build a company over a long period of time, they're good and bad phases. But to see, in fact, our view of what it makes to make enterprises stronger and better show up in these dramatic results is super gratifying and we plan to continue.

Ana Soro

Thanks, Alex. We'll now turn to a few questions from our shareholders before opening up the call. We received a few questions on AI. How will Palantir differentiate its AI offerings from others, including the model creators and how is AIP different? And how will Palantir maintain its competitive edge?

Shyam Sankar

Well, Alex talked about how the models the M are commoditized. But if you look at the models, you see that they're getting better, which is awesome. but they're also getting more similar across both closed and open source models while they're improving they're converging upon each other all while the price of inference is dropping precipitously. And that's -- so if you even look at these model companies, they have to build applications around these models to extract value.

That's where we have a decade-long head start. We've been building the forge to create and implement AI applications at scale throughout the enterprise. And that differentiation starts with the ontology, using the ontology to drive AIP across these applications. When you look at the legacy software companies, I'm not sure they understand it yet. But when you look at the innovative Silicon Valley companies, they recognize the wall of tech investments. This implies that's in front of them that's going to act like a great filter.

Alexander Karp

I would say kind of an addendum to that, it's -- well, first of all, I think people are beginning to recognize we were right, and these numbers show it.

So that creates a dynamic of, okay, well, if you can actually extract value from large language models in any context, then clearly, the company that does it is very valuable. And a lot of our customers even a year ago, they were kind of skeptical of, can you make these things useful. I would say most of the customers I deal with are pretty skeptical.

You can make large language models to anything but do a science experiment. And in a weird way, even though the models are improving, they're meeting up against greater skepticism among clients because clients have tried them and it's just a high school experiment.

And then if you get to -- like there's -- the market and analysts seem to have put a lot of credibility into the models, and we do too. We think they're very valuable when managed correctly, when used in a way that an enterprise can understand. And One of the problems that people have as you're not involved in enterprise software, it's very hard to understand how an enterprise actually works.

You cannot take a large language model that gives you an ELO score of 1,200 and use it on targeting on the battlefield. There's a security model. There's a way in which the data is understood. There are certain things you can't share. There's places you would use certain models, but not others.

How do you bring that back to your corpus of truth to understand in a lethal context who dies and who doesn't? And you have very similar use cases in underwriting and in health care.

And so understanding the actual way technically enterprise is driven as embodied by foundry, is embodied by our abstraction layer on top of foundry, which includes all those nuances, which we call an ontology as powered by AI are all sorts of things that our clients are beginning to discover every day.

Of course, the main way they're discovering it is wholly shed. I can do this in an hour that used to take 5 hours or 50 hours or I could have 2,000 people or 20 and 10. And by the way, on the targeting on the battlefield, we've talked about basically 2 orders of magnitude and reduction of people. But it's also, in many cases, to orders of magnitude in the production of your ability to do things in an efficacious manner. There are whole global events now that would be very different without these -- without our ability to manage these things in our infrastructure. And that's obviously generating a lot of excitement internally that spills into our earnings.

Ana Soro

Our next question is from Ryan who asks, as Palantir continues to invest in new AI technologies and expand globally, how are you balancing these investments with maintaining or improving profitability and operating margins, especially given the current macroeconomic challenges?

David Glazer

We aren't just balancing, we're excelling. Revenue grew 30% year-over-year in Q3, 44% in the U.S. in the quarter, and you couple that with our expanding margins in the quarter. We did 38% adjusted operating margin our eighth consecutive quarter of expanding margins, and we posted 68 in the rule of 40 score. At the same time, we had an outstanding adjusted free cash flow margin in the quarter 60%.

And so looking forward, we're raising guidance. We're raising guidance for adjusted free cash flow to an excess of $1 billion for full year 2024. We're raising adjusted operating income guidance to in excess of $1 billion, while over that actually, which represents a 39% margin in Q4. And we're doing all this while we're continuing to invest at the beginning of the AI revolution. That is -- there is an incredible amount of demand there. And we're investing in technical talent and we're continuing to build out world-class product.

Alexander Karp

There's a steel man version of this, which is given how well you're doing, given you've really accelerated to 30%, given the U.S. is growing 44% why don't you blow up your rule of 68, which, by the way, to my knowledge, is the single best of comparable companies in the world and significantly better than many very strong companies.

So an average normal way of looking at Palantir would be like, "Oh great, you have a 40%, 40% growth on a $2 billion base in the U.S. and you have a rule of 68, get that 68% down to 50% and maybe you can grow."

But in fact, that way of looking at a business misunderstands the way in which Palantir builds. We believe that by investing, and we know at this point, instead of trying to have 10,000 clients, all of whom hate you kind of what people want, 10,000 clients that hate you, but they can't give your product. We want a smaller number of the world's best partners that, quite frankly, are dominating with our product. And the way you do that is by having -- by not blowing up your margin and getting 10,000 salespeople. It's actually by going deeper on the product.

And in fact, what we see is the deeper and better of the product the more we drive sales, the more we have our cultural singular advantage as Palantir, not as a commodity product. It's like we are not a commodity. We do not want our customers to be commodities. We want them to be individual titans that are dominating their industry or the battlefield. And we reflect that in how we do things.

We are not trying to be your average Harvard business school preferred company with like that crush -- that reduces the margins has a thin product and then has a lower rule of 40 and presumably higher growth.

By the way, I don't think you get higher growth than what we have. Honestly, although we, of course, are always pushing and an even higher growth, the people who tend to ask these questions are tend to be modeling companies with 20% growth in lower margins.

We have 44% growth in the most important market in the world, arguably not the only, but by far, the most valuable market in the world. while having a rule of 68, i.e. the best in the world. And we're going to maintain the contradiction of having both high margins and high growth. It's not one or the other. They're actually interplayed and they're not a contradiction, they power each other. That's how you know you have world-class products. That's what you see in your numbers.

Ana Soro

Our next question is from Dan with Wedbush. Dan, please turn on a camera and then you'll receive a prompt to unmute your line.

Daniel Ives

A great quarter, and congrats to you and the team.

So my question is -- with [boot camp] conversions, has it even surprised you just how quickly from a customer coming into a boot camp customer conversion to mega deals what you're seeing? And what do you think that says about your process and where we are in this AI revolution where Palantir sits?

Ryan Taylor

Yes.

I think, obviously, the most indicative of what we're seeing and the impact is the results, the 44% year-over-year growth in U.S. commercial -- sorry, 44% year-over-year growth in U.S., 54% in U.S. commercial. -- the sequential growth we're seeing.

I think I gave examples of boot camps where we're seeing multiple different customers across different industries that are going from the initial boot camp to a 7-figure ACV deal within a matter of less than 2 months.

We're seeing that. We're feeling that in the conversations we have with customers and then our push to go from prototype to production and the expansions we're seeing at customers. And I've seen that in the conversations, as we said, really, it's going to be -- it's going to be the haves and the have-nots. The haves are moving quickly, making decisions quickly and adopting quickly. And I'm feeling that in the conversations we have with them in the conversions we're seeing.

Alexander Karp

I would just say that the most surprising thing is just how -- there's a small number of increasingly large number of customers, meaning [interested] that get this. And they are just moving really quickly. And anyone who's involved in the enterprise.

So if you take a company XYZ, and then 5 people go to a different company.

The first thing they do is pick up the phone and call us. And then -- and so it's just the way in which this just expands in the U.S. quite -- in some other countries but especially in the U.S. from anyone who touch this wants to use it in any part of anything they're doing. And it goes from one person.

And then there's this transient in America where people really are moving to different companies a lot, and they're talking to each other. And there's just a willingness to take business metrics and use those business metrics against technology that's not ideological. And if you look at even 10 years ago, there was no form of software that had this kind of adoption and this kind of readiness. And also, it was conversely just not possible to see this kind of results this quickly. And we tend to focus on the results on the outside. But AI and large language models also allow us to scale our product on the inside.

So one of the unfair things about this revolution is if you have business acumen and you have a product that is good or stellar in my humble opinion, you can make it even better internally and externally.

And so that allows us to also scale many, many more people to many, many organizations with the same number of people as long as they're the best in the world.

And so it's really this from touch to expansion however we do it.

Some of it's boot camps, but some of it's just like, "Hey, I used to work at a company, I heard really good things about your product. I want it tomorrow. How quickly can you get here? What is the first use case you could do."

And then the first thing that they always ask is, well, show me some of the things that you've done in other places, like even cross-fertilization between government and nongovernment. I was at an important government entity a couple of weeks ago. And they obviously may even be very useful for them. But then they start asking, well, what are you doing for hospitals? Could you use this on foyer requirements? Could you use the same thing for managing our people? How could you make sure that our people are safe and happy. How do you move parts? How do we do procurement. A lot of the things Shyam's -- so there's like a massive cost fertilization even between verticals that otherwise would never talk in the past government use cases did not -- nongovernment use cases were just not things we were doing in government.

And certainly, from industry to industry, we did not have this from real estate to supply chain, to large hospital things, the use cases that they're doing inside our products, they are technically basically the same for us.

Ana Soro

Our next question is from Mariana with Bank of America.

Mariana Perez Mora

So on government, U.S. government is up, what, like 40%, and this is in line with what we thought in U.S.A. [indiscernible] but others were advertising Palantir logos, and they were like advertising partnership with you. What changed for them to actually want a partner? That's the first one. And then, Dave, if you don't mind giving an update on the strategic commercial contracts and how are you thinking about the remaining deal value as we see news about million, but also a recent pickup of some like stock awards as a form of payment from these companies.

Shyam Sankar

On the first bit here, there's really 2 dimensions to what we're seeing is acceleration in partnerships on the U.S. government side.

The first is something I've talked about earlier, which is Mission Manager. Really, how do we take not our software but our software infrastructure, Rubix and Apollo as radical accelerants for these companies to get to revenue, to service their existing revenue in a more profitable way and expand their market access.

So that's been just a clear win across the board. That's good for the government. It's good for these partners, and it's good for us.

Alexander Karp

I mean I don't think Shyam's taking enough credit here or Sam, Aki and others.

So we -- one of our biggest issues in the U.S. government would be just simply a friction coefficient. And we had the problem that although we are completely focused on helping the U.S. government allies first and ourselves second. And that's been -- that's one of the reasons most of us at the table are still here. There was a general perception a couple of years ago that basically. And you see it in our numbers, pounder wins and maybe we win too much and we keep winning and people are like to ponder makes all this money.

Someone else has got to make money.

And one of the things, Shyam, and I would say [Aki] and others did a tremendous job of is like, look, we're in this for the supremacy of U.S. and its allies. And we're going to prove this by opening up part of our products and allowing you to sit on government data, which is way people assume you could just put a product on government data, you can't do that. There's all these tech products we've built that allow you to safely and securely work directly with the U.S. government.

And we've begun offering that to all sorts of defense tech startups and beginning -- begun partnering with more established large integrators like L3 and many others, actually. And the strategy there was, look, if we actually believe what we believe, let's show it. And this strategy, which Shyam led and Aki empowered and also kind of spent -- did incredible work on has led to a situation where most people involved in tech innovation now, view Palantir as their ally.

And so instead of going into every meeting saying, "Oh, yes, Palantir is great, but their fearless leader is bat shit crazy, and he might go off to his commune in New Hampshire whatever thing we're saying, it's now like, yes, the products are the best, and we have great products.

And so that's a really important shift and that was a business strategy, and it really was done by others. And that has shifted our ability to get to market because most people don't want to resist. The don't they're not hating the player. They're playing with us.

Shyam Sankar

Alex, it's always a tough act to follow. But the second part of that, I'll just close out with is really helping these companies with their production in the same way that we help Airbus build every plane or Chrysler build every car how do we help L3 and [Andral] and Shield and all of these new entrants and existing primes build their weapon systems better. And in particular, where they have fixed price, drive margin expansion as a consequence of doing that.

David Glazer

And then on the strategic commercial contracts, they're a tiny part of the business, right, basically 1% of revenue in Q3.

On the forward-look metrics, it's even -- like it's quite de minimis and the program ended 3 years ago.

So we can answer to the question, it's basically not [relevant] anymore.

Ana Soro

Alex, we have a lot of individual investors on the line. Is there anything you'd like to say before we end the call?

Alexander Karp

As usual, we're in it together with you, besides making America even stronger and better and our allies stronger, better and all of us more lethal, besides protecting Palantirians and most ex-Palantirans, our individual investors are near and dear to our and certainly my heart. And I love it that you guys are winning. There always be ups and downs in building a business but we're definitely fighting for you guys.

And the decision to do a DPO where we -- which is essentially was a decision to make sure that individuals got to participate and your willingness to spend time and look at what we're doing and actually look at the facts on the ground and not just to read dairy has been crucial to Palantir as a business and is part of what makes Palantir great and also our nation a great.

So thank you, and thank you for your support.

Ana Soro

Thank you. That concludes Q&A for today's call.