

Beyond the Buzz: Why Palantir's Valuation May Not Add Up

Palantir

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2 Recent Financials

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Executive Summary: Palantir Technologies (NAS: PLTR)

On May 26, 2020, CEO Alex Karp shocked investors by admitting: “Our product is used on occasion to kill people.” The remark reframed Palantir from a niche data contractor into a company openly tied to life-and-death operations.

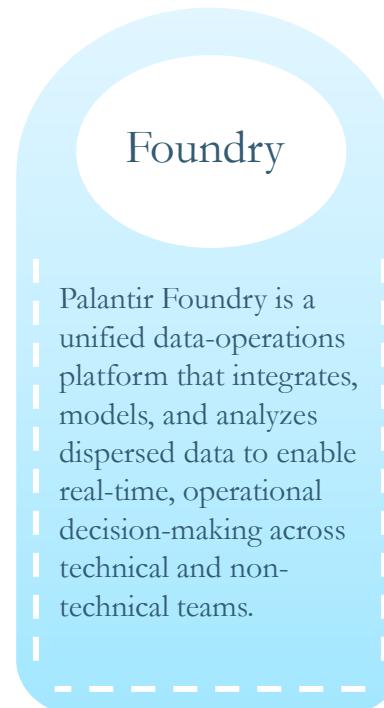
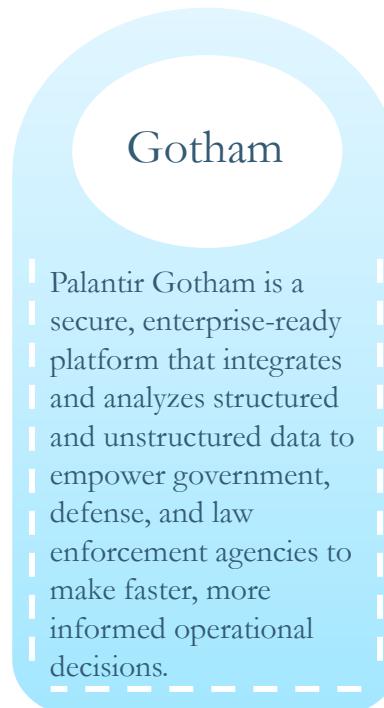
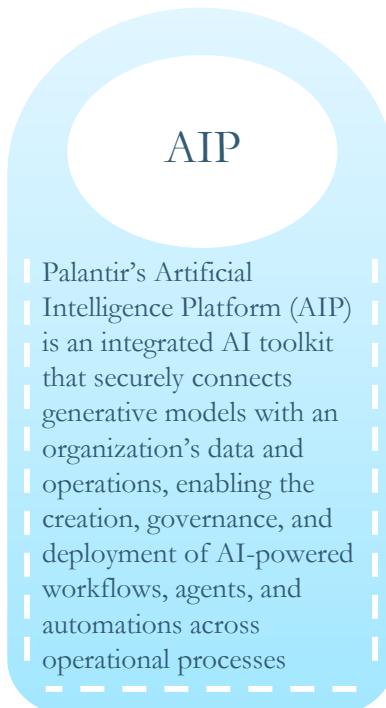
Founded in 2003 to serve U.S. intelligence with Gotham and later Foundry and Apollo, Palantir built tools to integrate massive datasets for counterterrorism and corporate operations. By 2024, however, Palantir became a headline AI story. Partnerships with governments and Fortune 500 firms gave it institutional credibility, while meme-stock enthusiasm and aggressive marketing around its Artificial Intelligence Platform (AIP) fueled retail frenzy. Valuations soared to Big Tech levels, far beyond fundamentals.

Beneath the hype, Palantir’s model remains fragile: reliance on lumpy government contracts, slow commercial adoption, high costs, and weak profitability. Combined with extreme multiples and volatility, the business looks unsustainable. There is no plausible path for Palantir to sustain its current hype-driven valuation.

Over time, market forces will reprice the stock closer to peer averages on price-to-sales and P/E multiples, levels far below where it trades today. With limited profitability and sky-high valuation, the stock is set up for a sharp correction. For investors, this represents less a long-term growth story than a shorting opportunity: Palantir’s inflated narrative makes it one of the most overvalued names in enterprise AI and a prime candidate for downside repricing.

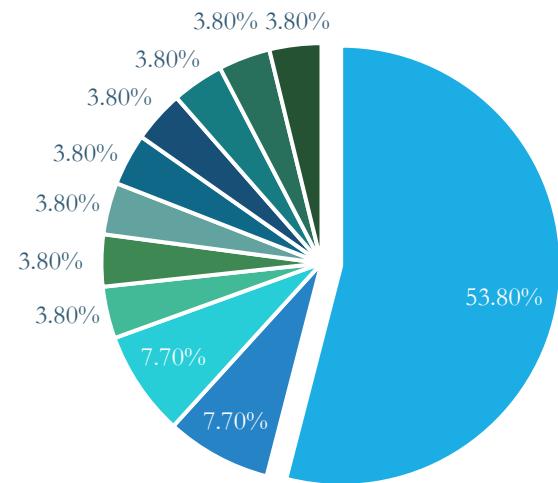
Business Overview: How Palantir Makes Money

Palantir generates revenue primarily from subscriptions to its software platforms, such as Gotham, Foundry, AIP, and Apollo) and from related professional services sold to government and commercial customers:



Business Overview: Customer Segments by Industry and Region

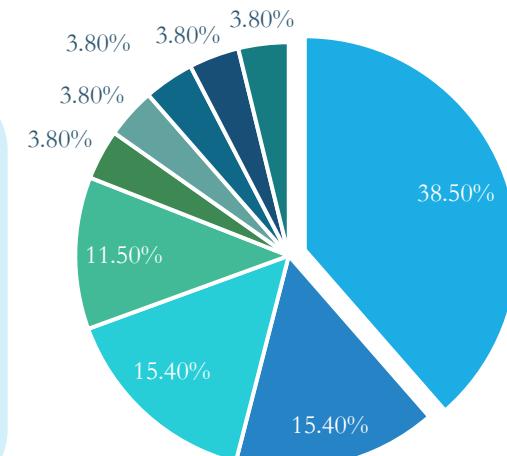
Breakdown of Platform Customers by Industry



Palantir's customer base is dangerously concentrated: over half comes from government clients and nearly 40% from the U.S. market. This lack of diversification leaves the company exposed to political risk, contract volatility, and limited scalability, undermining the growth narrative investors have bought into.

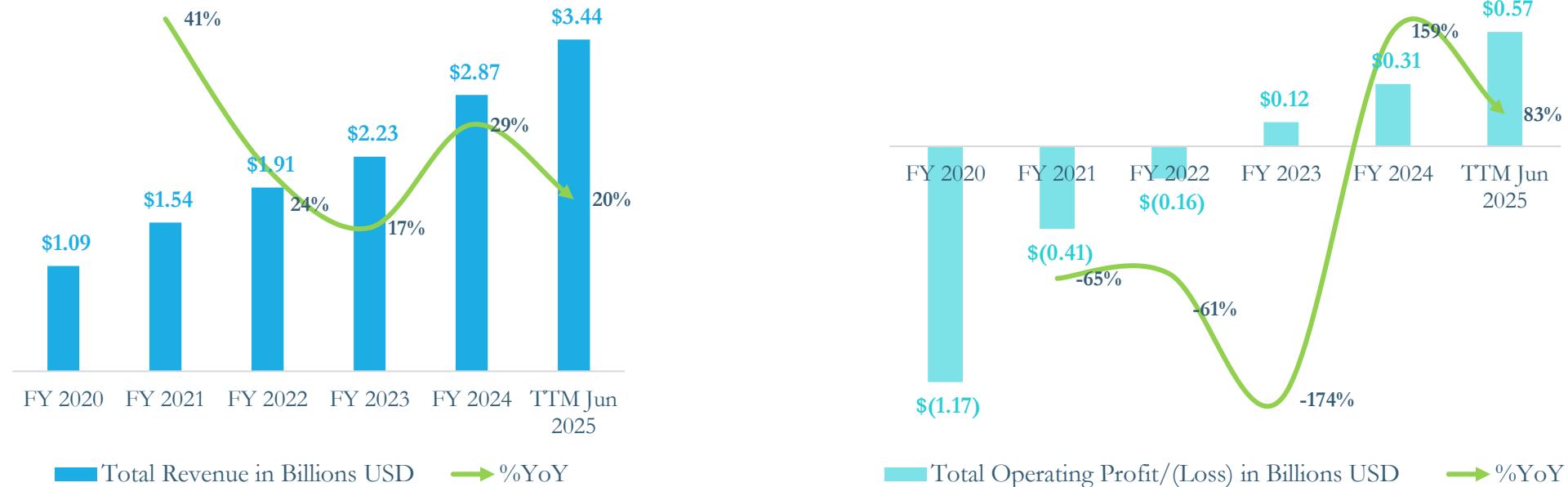
- Government
- Professional Services
- Automotive
- Transportation
- Manufacturing
- Life Sciences
- Non Profit
- Consumer Packaged Goods
- Oil, Gas, and Chemicals
- Aerospace and Defense
- Banking and Financial Services

Breakdown of Platform Customers by Country



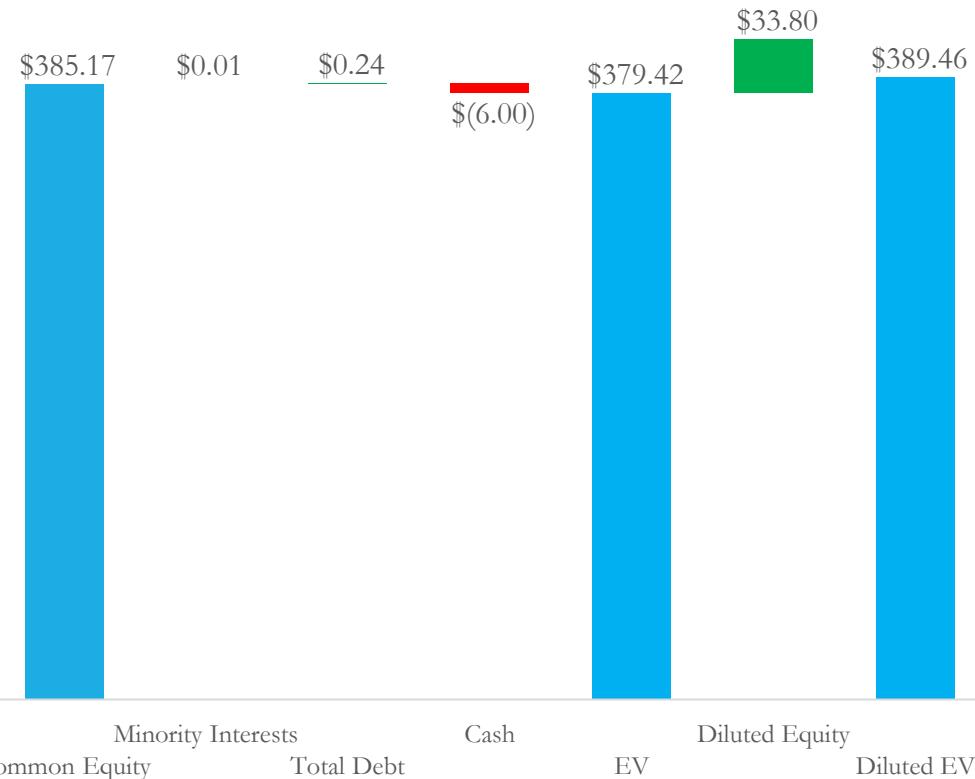
- USA
- UK
- Australia
- Germany
- France
- Uganda
- Switzerland
- Denmark
- South Korea

Recent Financials: Revenue and Net Income Growth over Time



While revenue has grown, YoY growth is decelerating sharply, down from 41% in FY2021 to just 20% today. Operating profits only recently turned positive but remain razor-thin and highly volatile, underscoring that Palantir's profitability is fragile and unlikely to justify its extreme valuation.

Recent Financials: Capital Structure



Palantir carries virtually no debt, but its valuation is almost entirely equity-driven and heavily diluted. With limited cash, minimal leverage, and \$30B+ in dilution, investors are paying premium prices for hype rather than fundamentals, amplifying downside risk when repricing occurs.

Comps Analysis: Peer Group Selection for Palantir

This upcoming comps analysis benchmarks Palantir against a curated set of enterprise software and SaaS companies with overlapping business models, revenue structures, and market positioning. The selected peers span data analytics, cybersecurity, CRM, ERP, and enterprise workflow automation, sectors where Palantir's solutions compete either directly or adjacently.

The companies were chosen for their scale, relevance in digital transformation, and recurring revenue models, which mirror Palantir's subscription-driven approach. This includes firms emphasizing data infrastructure (Datadog, Confluent), enterprise platforms (Salesforce, ServiceNow, SAP, Oracle), and security (SentinelOne, OpenText). Professional services providers like Genpact were included to capture operational benchmarks relevant to Palantir's risk management and consulting-oriented contracts.

While the peer set is not exhaustive, it represents a cross-section of high-growth SaaS and enterprise software leaders, enabling a balanced comparison across valuation multiples (P/E, P/S, EV/EBITDA) and operating metrics.

Company	Description
 HubSpot	A U.S. cloud monitoring and security platform that provides real-time observability of applications, infrastructure, and logs, enabling enterprises to manage performance and detect issues across hybrid and multi-cloud environments
 SAP	A U.S. provider of inbound marketing, sales, and customer relationship management (CRM) software designed for small to mid-sized businesses, with a focus on digital marketing automation and customer engagement
 ORACLE	A German multinational and one of the largest enterprise software vendors globally, best known for its ERP systems and business productivity solutions across finance, supply chain, and human resources
 opentext	A U.S. database software and cloud computing leader, offering database technology, enterprise applications, and cloud infrastructure, with a large installed base across industries and governments
	A Canadian enterprise information management (EIM) software company providing tools for content management, digital transformation, and compliance, often used by large organizations for document-heavy workflows

Company	Description
 salesforce	A U.S.-based pioneer in cloud CRM software, expanding into analytics, marketing, AI-driven customer engagement, and enterprise applications to become one of the largest SaaS providers globally
 genpact	A U.S.-headquartered professional services and IT outsourcing firm with roots in GE Capital, focusing on digital transformation, process automation, analytics, and consulting for global enterprises
 servicenow	A U.S. enterprise cloud platform specializing in IT service management (ITSM) and workflow automation, increasingly expanding into HR, customer service, and broader digital transformation use cases
 SentinelOne	A U.S. cybersecurity company offering AI-driven endpoint protection, detection, and response (EDR) solutions, competing with CrowdStrike and others in protecting enterprises from malware, ransomware, and advanced threats
 CONFLUENT	A U.S. data streaming platform founded by the original creators of Apache Kafka, enabling organizations to process and integrate real-time data streams for analytics, applications, and cloud-native operations

Comps Analysis : Valuation

Company	Date - Price Close	Stock Price	Market Cap	Shares Outstanding*	Enterprise Value (Daily)	Net Income	EBITDA	Total Revenue	Earnings per Share	Price/Earnings	Price/Sales	EV/EBITDA
Palantir Technologies (NAS: PLTR)	12-Sep-2025	\$ 171.43	\$ 406,690,661	2526073	\$ 401,024,714	\$ 763,292	\$ 607,874	\$ 3,440,587	\$ 0.30	567.34x	118.20x	659.72x
Datadog (NAS: DDOG)	12-Sep-2025	\$ 136.50	\$ 47,603,710	360956	\$ 44,957,167	\$ 124,580	\$ 25,901	\$ 3,016,056	\$ 0.35	395.49x	15.78x	1735.73x
HubSpot (NYS: HUBS)	12-Sep-2025	\$ 491.48	\$ 25,897,610	52609	\$ 24,508,611	\$ (11,922)	\$ 44,020	\$ 2,847,902	\$ (0.23)	-2168.79x	9.09x	556.76x
SAP (ETR: SAP)	12-Sep-2025	\$ 259.20	\$ 301,861,044	1178500	\$ 300,652,057	\$ 7,105,766	\$ 11,083,953	\$ 38,985,573	\$ 6.03	42.99x	7.74x	27.12x
Oracle (NYS: ORCL)	12-Sep-2025	\$ 292.18	\$ 830,291,997	2880500	\$ 924,695,997	\$ 12,441,000	\$ 24,149,000	\$ 59,018,000	\$ 4.32	67.65x	14.07x	38.29x
OpenText (TSE: OTEX)	12-Sep-2025	\$ 35.71	\$ 9,081,820	263650	\$ 14,570,829	\$ 435,868	\$ 1,451,146	\$ 5,168,405	\$ 1.65	21.60x	1.76x	10.04x
Salesforce (NYS: CRM)	12-Sep-2025	\$ 242.76	\$ 231,107,520	967500	\$ 226,972,520	\$ 6,663,000	\$ 11,088,000	\$ 39,502,000	\$ 6.89	35.25x	5.85x	20.47x
Genpact (NYS: G)	12-Sep-2025	\$ 42.52	\$ 7,409,964	178596	\$ 8,278,279	\$ 538,302	\$ 849,314	\$ 4,929,034	\$ 3.01	14.11x	1.50x	9.75x
ServiceNow (NYS: NOW)	12-Sep-2025	\$ 928.96	\$ 192,776,850	209225	\$ 189,053,850	\$ 1,661,000	\$ 2,213,000	\$ 12,057,000	\$ 7.94	117.01x	15.99x	85.43x
SentinelOne (NYS: S)	12-Sep-2025	\$ 18.29	\$ 6,130,094	324374	\$ 5,330,814	\$ (429,364)	\$ (294,258)	\$ 907,381	\$ (1.32)	-13.82x	6.76x	-18.12x
Confluent (NAS: CFLT)	12-Sep-2025	\$ 19.24	\$ 6,632,877	332704	\$ 5,800,010	\$ (311,722)	\$ (287,876)	\$ 1,064,824	\$ (0.94)	-20.54x	6.23x	-20.15x

*Diluted Weighted Average and in \$000

Negative values excluded from the calculation for better comparison

Financial amounts in thousands USD

Stock price in USD

Data from trailing twelve months

Sources: pitchbook.com

Comps Analysis : Valuation

Company	Date - Price Close	Stock Price	Market Cap	Shares Outstanding*	Enterprise Value (Daily)	Net Income	EBITDA	Total Revenue	Earnings per Share	Price/Earnings	Price/Sales	EV/EBITDA	
Palantir Technologies (NAS: PLTR)	12-Sep-2025	\$ 171.43	\$ 406,690,661	252,607,3	\$ 401,024,714	\$ 763,292	\$ 607,874	\$ 3,440,587	\$ 0.30	567.34x	118.20x	659.72x	
									25th	\$ 2.33	28.43x	05.95x	17.86x
									Mean	\$ 4.32	42.99x	07.25x	32.71x
									Median	\$ 4.31	99.16x	08.48x	310.45x
									75th	\$ 6.46	92.33x	12.82x	203.26x

Palantir trades at multiples that are wildly disconnected from reality: 567x earnings and 118x sales, compared to peer medians of 99x and 8x. Even within a growth-heavy SaaS universe, Palantir is priced like a speculative bubble. Over time, valuations will converge toward peers, implying massive downside and a clear short opportunity.

*Diluted Weighted Average and in \$000

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Financial amounts in thousands USD

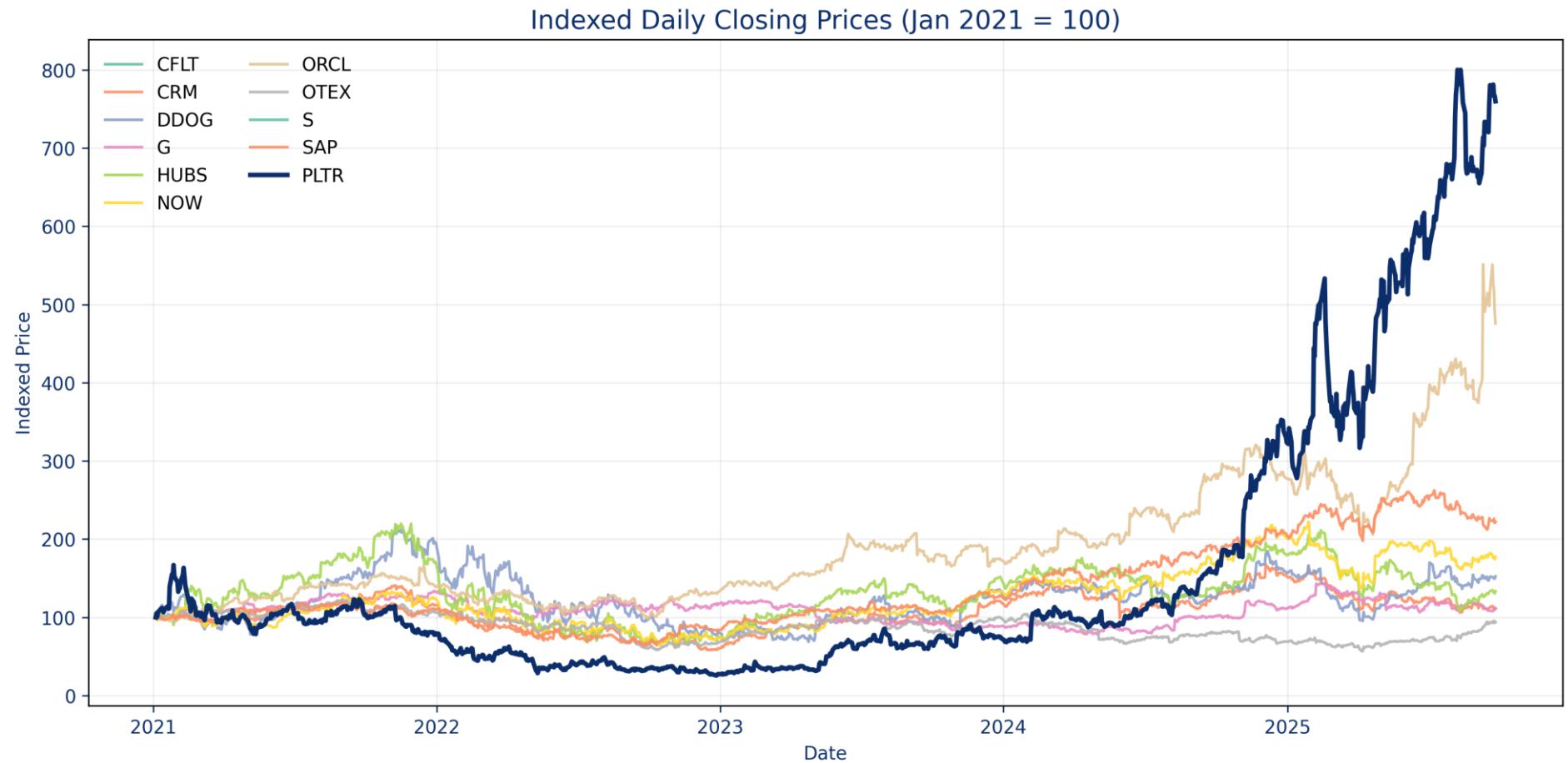
Stock price in USD

Data from trailing twelve months

Sources: pitchbook.com

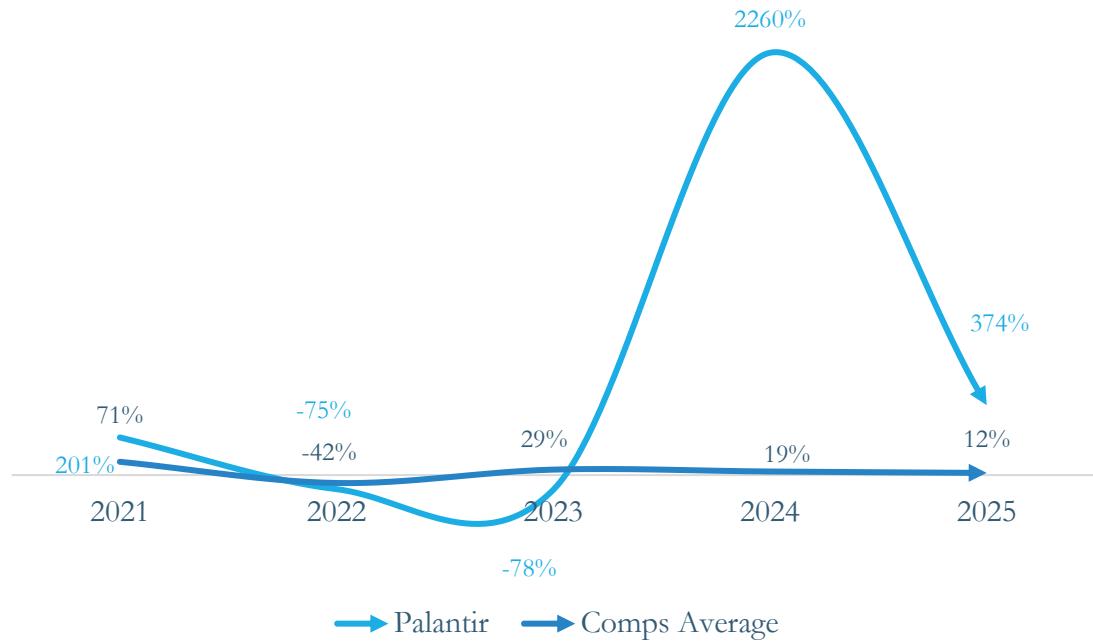
Comps Analysis : Indexed Daily Closing Prices (2021-2025)

Palantir's stock has decoupled from peers, soaring nearly 8x since 2023, while the rest of the sector shows moderate growth. This parabolic move underscores how hype, not fundamentals, is driving performance, a setup that makes the stock highly vulnerable to a brutal mean reversion.



Sources: yahoofinance.com

Comps Analysis : Stock Growth (2020-2025)



Palantir's stock growth shows bubble-like swings: collapsing over 75% one year and soaring 2,000% + the next, while peers move steadily. Such extreme volatility underscores that performance is driven by hype and speculation, not fundamentals.

Comps Analysis : Price to Sales Historically

Palantir now trades at 125x sales, compared to peers at 8x. This extreme premium shows how disconnected the stock has become from fundamentals and points to inevitable multiple compression and massive downside risk.



Sources: pitchbook.com

Comps Analysis : PE Ratio (2020-2025)



Palantir trades at 323 \times earnings versus peers at 41 \times . The widening gap highlights an extreme dislocation from fundamentals and all but guarantees a painful re-rating as multiples compress back toward industry norms unless it keeps up the sustainable hype.

SentineOne and Confluent are excluded from this dataset for having negative earnings and better comparison.

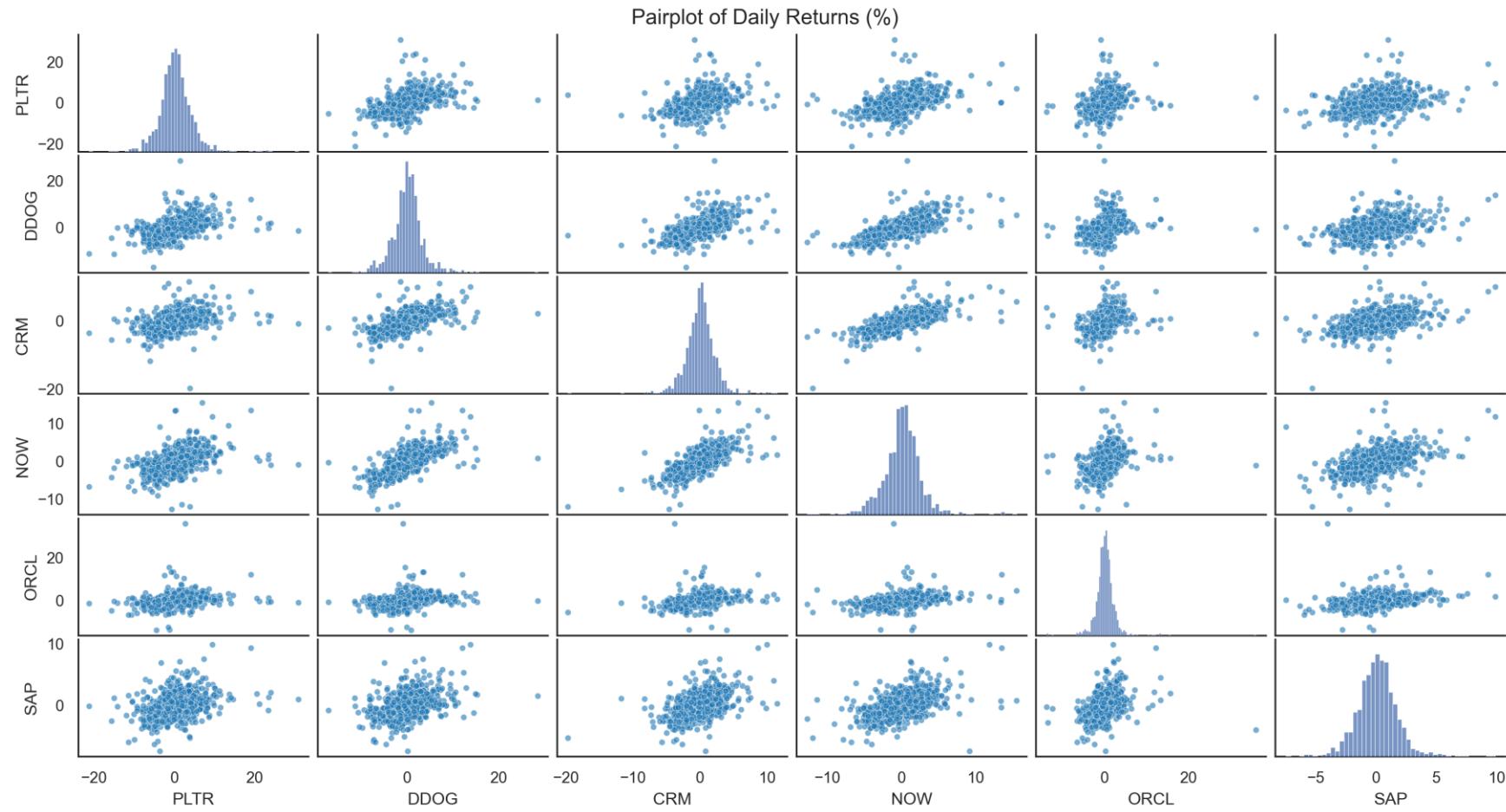
Sources: macrotrends.net; pitchbook

Comps Analysis : Correlation Heatmap (2021-2025)



Palantir's low correlations with peers reveal that its stock trades less on enterprise software fundamentals and more on hype-driven, idiosyncratic speculation. This lack of alignment with sector trends reinforces its bubble-like profile and increases downside risk when sentiment shifts.

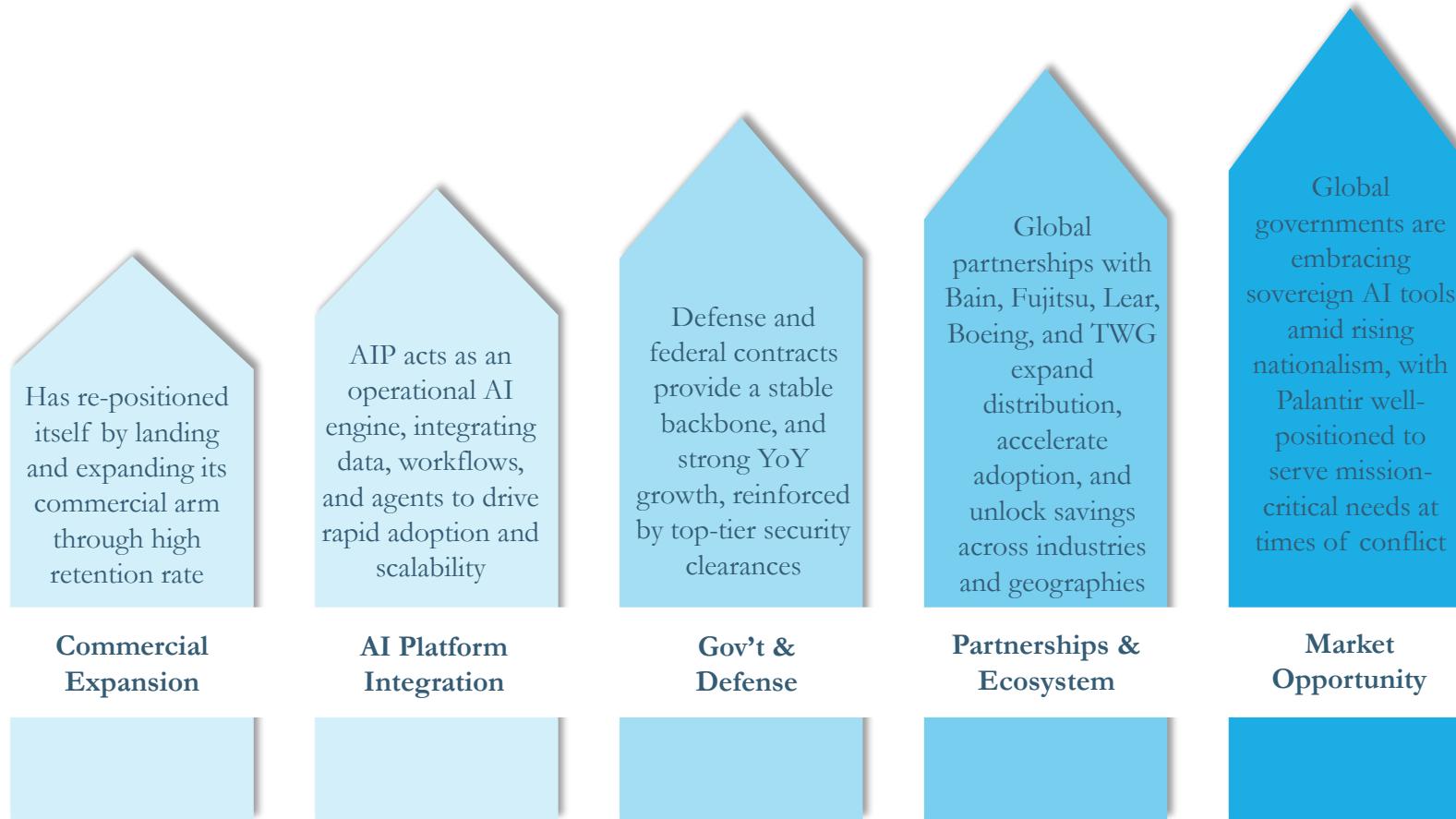
Comps Analysis : Pair Plot of Daily Returns (2021-2025)



Sources: yahoofinance.com

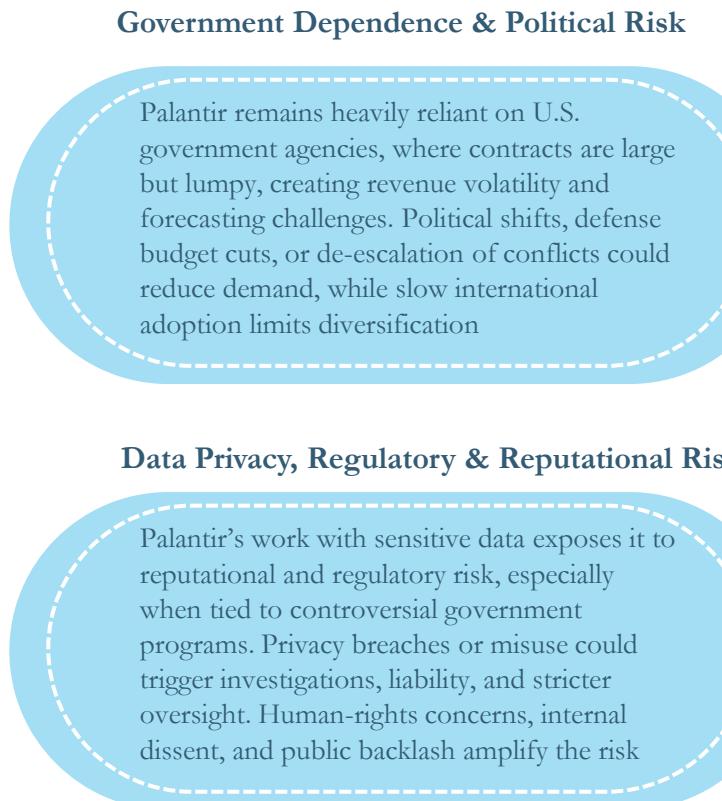
Palantir's daily returns are far more volatile and less correlated than peers, highlighting that its stock behaves like a speculative trade rather than a stable enterprise software company.

Catalysts and Growth Drivers



Sources: tickeron.com; reuters.com; investors.Palantir.com; Nasdaq.com

Key Risks



Execution, Commercial & Competitive Risk

Palantir must prove it can scale beyond large government contracts into broader enterprise markets, yet complex and costly implementations deter smaller customers and international markets. Intense competition from tech giants and startups, rapid AI evolution, and talent shortages pose ongoing threats to execution and long-term adoption

Valuation, Market & Volatility Risk

Palantir trades at sky-high multiples (~125× sales, ~567× earnings) above all its industry peers, leaving little margin for error if growth slows. The stock is highly sensitive to macro headwinds, interest rates, and shifting investor sentiment, and has shown extreme volatility

Conclusion

Palantir's story has been fueled by hype, institutional momentum, and retail enthusiasm, but the fundamentals do not justify its valuation. Revenue growth is slowing, profitability remains fragile, and the customer base is dangerously concentrated in U.S. government contracts. Despite this, the stock trades at extreme multiples of over 125× sales and 567× earnings, far above even the most expensive SaaS peers.

The stock's parabolic rise, low correlation with peers, and bubble-like volatility shows a speculative asset detached from enterprise software fundamentals. Over time, market forces will reprice Palantir closer to sector norms, implying massive downside. For investors, this is not a sustainable growth story but a clear short opportunity before the inevitable collapse in valuation.