

Palantir Technologies Inc. (PLTR)

Post-earnings equity research note | Q2 FY2026 reported 3 August 2026 | Prepared 5 August 2026

WATCHLIST

Unchanged from previous report

Last close (4 Aug 2026)	\$162.66
Single-session move on 4 August	+29.5%
Revenue growth	+93% to \$1.935bn
Net dollar retention	157%, on record bookings
Price / FY26 revenue guidance	~48.7x
Probability-weighted fair value	\$164

What the Quarter Changed

Palantir delivered one of the most remarkable quarters any software company has reported, and the shares rose 29.5% in a single session on 172.4 million shares, roughly 4.3 times the twenty-day average volume. Nothing in this report disputes the quality of the result. The entire question is what it is worth.

Revenue of approximately \$1.935 billion grew 93% year over year. United States commercial revenue grew 149% year over year and, importantly, 28% sequentially, which is the more informative of the two figures because it strips out the base effect. United States government revenue grew 90%. Adjusted free cash flow was \$1.22 billion in the quarter. GAAP earnings per share of \$0.41 beat the \$0.35 expected.

Profitability is what separates this from a growth story of the ordinary kind. GAAP operating income reached \$912 million at a 47% margin, and adjusted operating income \$1.19 billion at a 62% margin. A company growing revenue 93% while earning a 47% margin on generally accepted accounting principles, share-based compensation included, is producing a combination that essentially does not occur. The company's Rule of 40 score was 155, against a benchmark of 40.

Management raised full-year 2026 revenue guidance to approximately \$8.15-8.158 billion, implying 82% growth, and lifted the United States commercial outlook to more than \$3.424 billion from \$3.22 billion, citing accelerating demand for its sovereign AI platform.

Q2 FY2026 reported results

Measure	Q2 FY26	Change	vs consensus
Total revenue	~\$1.935bn	+93%	Beat
US commercial revenue	—	+149% YoY, +28% QoQ	—
US government revenue	—	+90%	—
GAAP EPS	\$0.41	—	Beat (\$0.35 est., +18.5%)
GAAP operating income	\$912m	—	47% margin
Adjusted operating income	\$1.19bn	—	62% margin
Adjusted free cash flow	\$1.22bn	—	~63% of revenue
Net dollar retention	157%	—	Existing customers expanding sharply
Bookings	record	—	—
Deals of \$1m or more closed	220	—	—

Measure	Q2 FY26	Change	vs consensus
Total contract value	\$3.37bn	+49%	See the discussion below
Rule of 40 score	155	—	Against a benchmark of 40

Source: Palantir Technologies Q2 2026 results and Q2 2026 earnings call transcript via MarketBeat (provided by Quartr), 3 August 2026.

Raised FY2026 guidance

Measure	New guidance	Change
Total revenue	~\$8.15 - 8.158bn	Raised ; implies +82% growth
US commercial revenue	more than \$3.424bn	Raised from \$3.22bn
Adjusted free cash flow	\$4.50 - 4.70bn	Raised

Reading the Contract Value Figure Correctly

Total contract value of \$3.37 billion grew 49% while revenue grew 93%, and it is tempting to treat that gap as evidence that Palantir is converting backlog faster than it replenishes it. The earnings call makes clear that this reading would be too simple, and it deserves correcting rather than repeating.

Management reported *record bookings* in the quarter alongside a net dollar retention rate of 157%. Net dollar retention measures what existing customers spend now against what the same cohort spent a year ago, and a figure of 157% means the installed base alone expanded spending by more than half without a single new logo. Combined with record bookings, that describes a commercial engine that is replenishing vigorously, not one running down a backlog.

Total contract value is also a lumpier measure than revenue for a company of this shape, because it moves with the timing and duration of large government and enterprise awards rather than with underlying demand. A single large multi-year renewal landing one quarter earlier or later moves the figure materially. Reading a 49% increase in it as a warning, against 157% net dollar retention and record bookings, would be reading the weaker signal over the stronger one.

The genuine caution disclosed on the call is different and more specific. Adjusted gross margin was pressured by higher cloud-hosting costs associated with a government customer, and management expects a significant increase in third-quarter expenses tied to seasonal hiring and to product and marketing investment. Neither threatens the thesis, but both mean the extraordinary 62% adjusted operating margin should not be extrapolated forward unchanged, and the third quarter will look less pristine than the second.

Valuation: The Entire Argument

Palantir's investment case has never turned on the quality of the business. It turns, and has turned for three years, on price. This quarter has made the business better and the price considerably higher.

With roughly 2.44 billion diluted shares implied by the reported earnings, the market capitalisation at \$162.66 is approximately \$397 billion. Against full-year revenue guidance of about \$8.155 billion that is roughly 48.7 times revenue. Against the midpoint of adjusted free cash flow guidance of \$4.6 billion it is roughly 86 times.

Those multiples require context to be meaningful rather than merely alarming. Forty-nine times revenue is a level at which a company must grow revenue roughly tenfold, with margins intact, simply for the multiple to normalise toward the five times revenue that a high-quality mature software business commands. Palantir is guiding to 82% growth, so tenfold growth is arithmetically conceivable over perhaps five to six years if that rate persists. The difficulty is that no company of this size has sustained such a rate for that long.

What the transcript does change is the quality of the evidence that it might. A 157% net dollar retention rate is the single best predictor available of near-term revenue durability, because it measures behaviour rather than intention. Record

bookings, 220 deals above \$1 million, and United States commercial revenue growing 28% sequentially all point the same way. The honest formulation is that Palantir at \$162.66 is priced for close to perfect execution over half a decade, and that this quarter materially raised the probability that such execution is achievable without making the price at which it is being sold attractive.

Metric	Value	Assessment
Price (4 Aug 2026 close)	\$162.66	Up 29.5% in a single session
Approximate market capitalisation	~\$397bn	~2.44bn diluted shares implied
Price / FY26 revenue guidance	~48.7x	The central obstacle
Price / guided adjusted free cash flow	~86x	—
GAAP operating margin	47%	Exceptional, and genuinely GAAP
Net dollar retention	157%	The strongest durability signal in the release
Rule of 40 score	155	Among the highest ever recorded
Probability-weighted fair value	\$163.84	Essentially level with the current price

Risks

Risk	Probability	Severity	Comment
Valuation compression	High	High	At ~48.7x forward revenue, a deceleration from 82% to a merely excellent 50% could halve the multiple without the business failing
Single-session repricing	High	Medium	A 29.5% move in one day leaves no margin of safety and invites reversal on any subsequent disappointment
Margin normalisation	Medium	Medium	Gross margin already pressured by government cloud-hosting costs; management guides a significant Q3 expense increase
Government revenue concentration	Medium	Medium	US commercial at +149% reduces this materially, but public-sector budgets remain a large share
Competition in enterprise AI	Medium	Medium	Hyperscalers are moving up the stack into agentic and applied AI deployment
Contract value lumpiness	Medium	Low	TCV growth of 49% trails revenue growth; a timing effect rather than a demand signal, but worth monitoring
Volatility	High	Medium	5.3% average true range; a 12% move was priced into options before the release

Technical Position

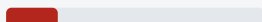
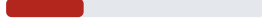
Palantir spent the four months to 3 August in a broad decline, drifting from \$160.84 in late March to \$125.65 the day it reported, having traded as low as \$106.37 in late June. The 4 August session reversed the entire period in one move, taking the shares to \$162.66, a new high for the hundred-session window and above every moving average.

The result is a share that is technically powerful and technically stretched at the same time. The price sits 25.0% above its twenty-day average and 24.2% above its fifty-day, with a relative strength index of 72.8. Gaps of this magnitude are frequently partially retraced, though the accompanying volume of 4.3 times average argues that institutional repositioning rather than speculative flow drove it.

Indicator (as of 4 Aug 2026)	Value	Reading
Close	\$162.66	At the top of the 100-session range
SMA20	\$130.12	Price 25.0% above — heavily extended
SMA50	\$130.99	Price 24.2% above
SMA100	\$136.98	Price 18.7% above
SMA200	not computed	Insufficient history in the 100-session series; not estimated
RSI(14)	72.8	Overbought
MACD / signal / histogram	+1.52 / -0.54 / +2.06	Bullish crossover on the session
ATR(14)	\$8.64	5.3% of price
100-session range	\$106.37 - \$164.52	Price at the upper extreme

Indicators computed from 100 daily OHLCV sessions (12 Mar - 4 Aug 2026). The 200-day average could not be derived from that window and has deliberately not been estimated.

Scorecard

Category		Score	Comment
Business quality		9/10	47% GAAP operating margin at 93% revenue growth is close to unique
Financial strength		9/10	\$1.22bn of adjusted free cash flow in the quarter; genuinely self-funding
Competitive advantage		8/10	157% net dollar retention evidences switching costs and expansion, not just acquisition
Management		9/10	Raised full-year revenue and US commercial guidance materially after an 18.5% earnings beat
Growth potential		9/10	US commercial +149% YoY and +28% sequentially; the commercial thesis is demonstrated
Valuation		2/10	~48.7x forward revenue and ~86x guided free cash flow
Risk (higher = safer)		3/10	Valuation leaves no room for error; Q3 margin step-down already flagged
Technical setup		5/10	New high on heavy volume, but 25% above the 20-day average with RSI at 72.8

Overall Investment Score: 66/100

Weightings: valuation 20, growth 16, risk 15, business quality 14, competitive advantage 12, management 10, financial strength 8, technicals 5. Valuation carries the heaviest weight here because it is the only score that has ever determined the rating on this company.

Recommendation: Watchlist (reaffirmed)

The rating is reaffirmed at Watchlist, and this is the most uncomfortable reaffirmation in current coverage, because everything about the business improved and the rating did not.

It should be said clearly that the bear case on Palantir's fundamentals has been substantially dismantled by this quarter. The argument that the company was a government contractor with a software multiple is answered by United States commercial revenue growing 149% year over year and 28% sequentially. The argument that growth was bought with share-based compensation is answered by a 47% operating margin computed under generally accepted accounting

principles, which includes that compensation. The argument that growth would decelerate as the base grew is answered by 93% growth at a near-\$8 billion run rate and a raised full-year outlook of 82%. And the argument that revenue was being drawn from a thinning backlog is answered by record bookings and a 157% net dollar retention rate.

What remains is arithmetic that no amount of execution quality resolves. At approximately 48.7 times forward revenue and 86 times guided adjusted free cash flow, an investor buying today requires the company to compound at extraordinary rates for the better part of a decade merely to arrive at a conventional valuation. A deceleration from 82% growth to a still-outstanding 50% would very likely halve the multiple. That asymmetry, not any doubt about the company, is what holds the rating.

Two things would change it. A retreat toward the \$130-137 region, where the twenty-, fifty- and hundred-day averages cluster and where the shares traded a week ago, would offer an entry at roughly 39 times forward revenue, still expensive but defensible for this growth profile. Alternatively, a third quarter that absorbs the flagged expense increase and the government hosting cost pressure while holding the adjusted operating margin near 60% would demonstrate that the margin structure is durable rather than a peak, and would justify paying up. A quarter in which net dollar retention falls materially below 130% would be the clearest signal to move to Avoid.

Scenario analysis

Scenario	Prob.	Path	Fair value	Conditions
Bull	32%	FY27 revenue ~\$14bn	\$245	Growth holds near 70% on 157% retention, margin sustains above 45%; multiple ~43x forward revenue
Base	45%	FY27 revenue ~\$12.5bn	\$150	Growth moderates to ~53%, margins normalise modestly, multiple compresses toward 29x on the larger base
Bear	23%	FY27 revenue ~\$11bn	\$78	Growth decelerates toward 35%, margin pressure persists, multiple de-rates toward 17x

Probabilities sum to 100%. Probability-weighted fair value: \$163.84, approximately 0.7% above the 4 August close of \$162.66 — essentially fair value, on an unusually wide distribution. The bull weighting is raised and the bear reduced versus the prior version of this report, reflecting the 157% net dollar retention and record bookings disclosed on the earnings call.

Final Verdict

This was an extraordinary quarter by a genuinely extraordinary company, and it does not make the shares a buy at \$162.66.

Ninety-three per cent revenue growth with a 47% margin under generally accepted accounting principles is a combination that barely exists in the historical record. United States commercial revenue up 149% year over year and 28% sequentially settles the most serious structural question that has hung over the business. A 157% net dollar retention rate on record bookings settles the second, which is whether that growth is durable or a burst. Management raised full-year revenue guidance to imply 82% growth and lifted the commercial outlook by \$200 million.

The problem is that the market answered too, within a single session, adding roughly \$90 billion of market value and taking the shares to approximately 48.7 times forward revenue and 86 times guided free cash flow. At those levels the required future is not merely excellent but close to flawless for five or more years. The one genuine caution from the call is narrower than the valuation: gross margin is already carrying higher government cloud-hosting costs, and management has flagged a significant third-quarter expense increase, so the 62% adjusted operating margin is a peak rather than a run rate.

The distinction worth holding onto is that this is not a judgement about the company. It is a judgement that a 29.5% single-day gain has moved the price past the point where the odds favour the buyer. Palantir has been a business worth owning at the right price for some time, and after 4 August it is further from that price than it was on 3 August. The

\$130-137 area, or a third quarter that holds the margin through the flagged expense step-up, are the two things that would change the answer.

Sources

Palantir Technologies Q2 2026 earnings call transcript, 3 August 2026, via MarketBeat (provided by Quartr) • Palantir Technologies Inc. — Q2 2026 results, 3 August 2026 (via GuruFocus and 24/7 Wall St. coverage) • Alpha Vantage — daily OHLCV series, 12 Mar to 4 Aug 2026

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