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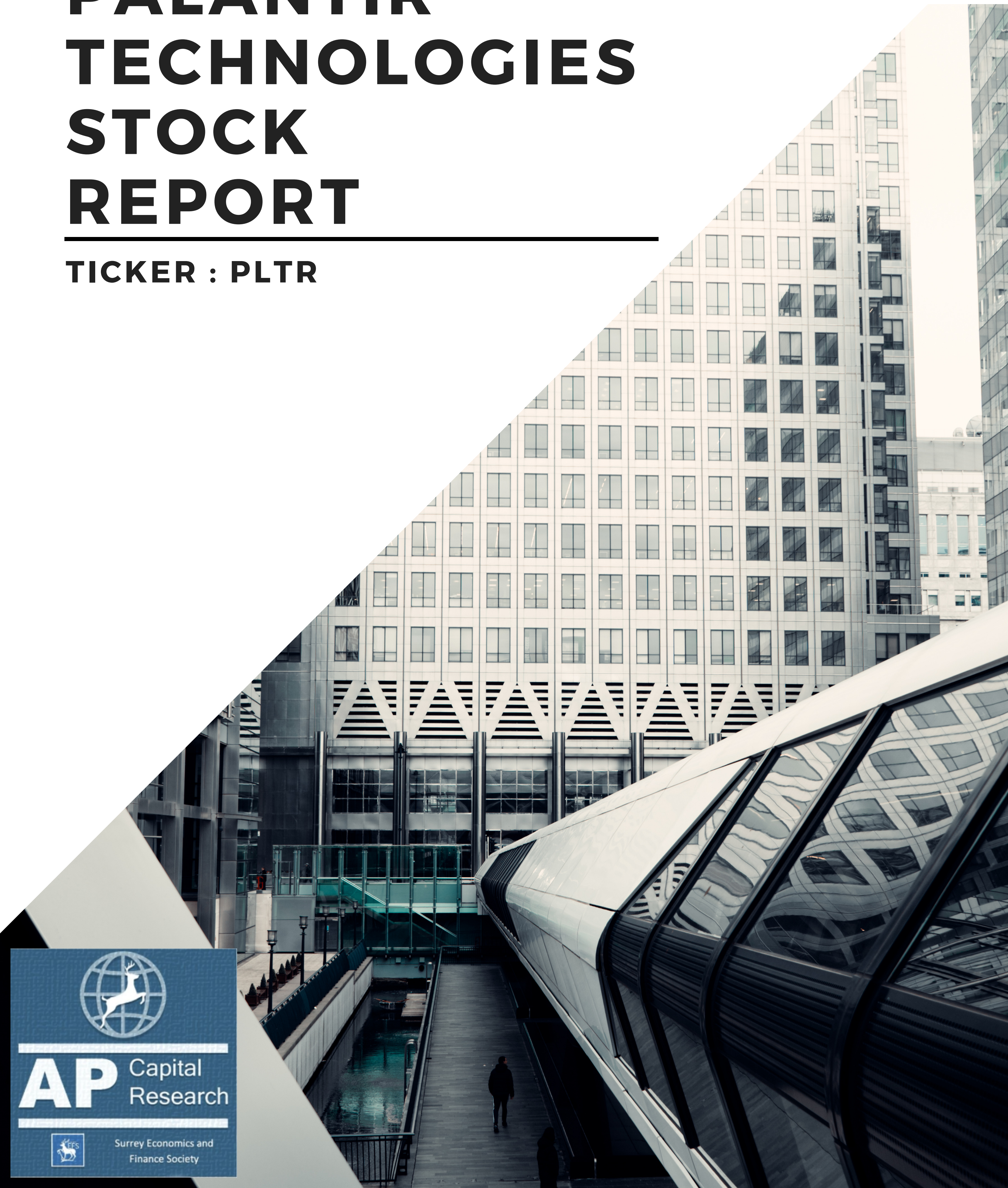
PALANTIR TECHNOLOGIES STOCK REPORT

TICKER : PLTR



AP Capital Research
Surrey Economics and Finance Society

SUMMARY

Palantir Technologies Inc. creates software platforms which assists in making data analysis easier. Their engineers help to develop platforms which 'integrate, manage and secure data.

Specifically, Palantir operates within the United States, assisting the Government with counterterrorism, using their software called Palantir Gotham within the defence and intelligence sectors.

Some examples where Palantir software has been used includes, uncovering human trafficking rings, helping prosecutors build stronger cases, tracking and containing the spread of deadly diseases, defending against the theft of intellectual property.

Services provided:

- Palantir Gotham
  - 'Integrate, manage, secure and analyse all of your enterprise data.'
  - Starts by getting the data from multiple sources, fusing this data into a model, tagging, securing, and tracking the data, and finally bringing the data to life for analysis.

- Palantir Foundry
  - 'Amplify and extend the power of data integration.'
  - Enables users of all technical abilities to work meaningfully with data, to source, connect and transform data to analyse.

- Palantir Apollo
  - 'Power Saas in places no SaaS has gone before.'
  - Allows the user to use SaaS in environments it's never been used before such as jeeps or in submarines. Apollo is what powers Foundry and Gotham in the public cloud.

MANAGEMENT TEAM

Alexander Karp - Co-founder, CEO, Director
He holds a B.A from Haverford College, a J.D. from Stanford University, and Ph.D. from Goethe University in Frankfurt, Germany. While at Palantir he has served many roles and been on the Board of Directors since 2003.

Before PLTR, Karp has founded Caedmon Group, a money management firm based in London.

He is also a member of the Board of Directors for other companies including BASF, the largest chemical company in the world, and Axel Springer SE, a media and tech company situated in Germany. Axel is also the largest multimedia company within Europe.

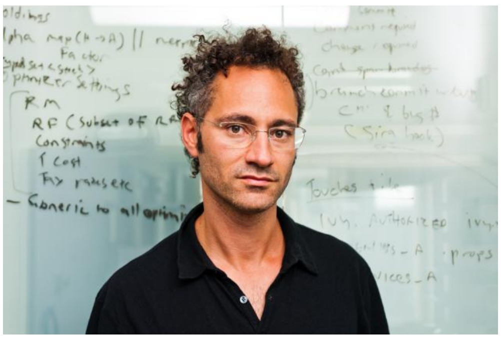
Peter Thiel - Co-founder, Chairman

Thiel holds a B.A from Stanford University and J.D. from Stanford Law School.
As an active investor and businessman Thiel has a lot of experience with companies. Alongside co-founding Palantir Paypal, and Founders Fund, he is also Chairman of Valar Ventures, Chair of Mithril Capital, and on the Board of Members for Facebook. Thiel was also the first outside investor in Facebook, with a 10% stake for $500,000 in 2004. He has experience as a securities lawyer, speechwriting and as a derivatives trader for Credit Suisse.

Stephen Cohen - Co-founder, President, Secretary, Director

Holds a B.S. in Computer Science from Stanford University

Served as an adviser to Backtype, before it was acquired by Twitter in 2011. Worked alongside Peter Thiel at Clarium Capital.



FINANCIALS

With a limited number of financial data reports, we can only analyse two company reports as the company went public on 30th September 2020. The public reports we have are the Q3 2020 and Q4 2020 Annual reports.

	Revenue YoY	Gross Profit Margin	Operating Margin	Net Profit Margin
Quarter 3 2019	51.9	65.8%	-75.6%	-73.4%
Quarter 3 2020		48.4%	-293%	-295%
Annual Report 2019	47.2%	67.4%	-77.6%	-78.1%
Annual Report 2020		67.7%	-107%	-107%

At an initial insight, we observe Palantir maintaining strong increases in revenue year over year and maintaining their gross profit margin. However, if we look at the company's operating and net profit margin, it is evident the company is not generating enough revenue to cover the general administrative costs, indicating the company is financing their way through issuance of shares.

In the short-term view, if the company sustains these losses, the financial health of the company will burden their shareholders as this seems to be the only reason the company is staying afloat. On analysis, this may not all be bad with operating costs increasing, providing the investment in their employees will make them more efficient in identifying certain data trends and being able to advance their data analysis service.

This increase in research and development of 313.7% and an increase in sales and marketing of 179.9%, demonstrates the company's drive to develop their data software analytics to become more niche in the market.

The projections by Palantir for 2021 is an annual revenue growth of more than 30%.

CATALYSTS

In the fourth quarter of 2020 Palantir signed 21 deals, 12 of them being worth more than $10m, and the other 9 had a minimum value of $5m.

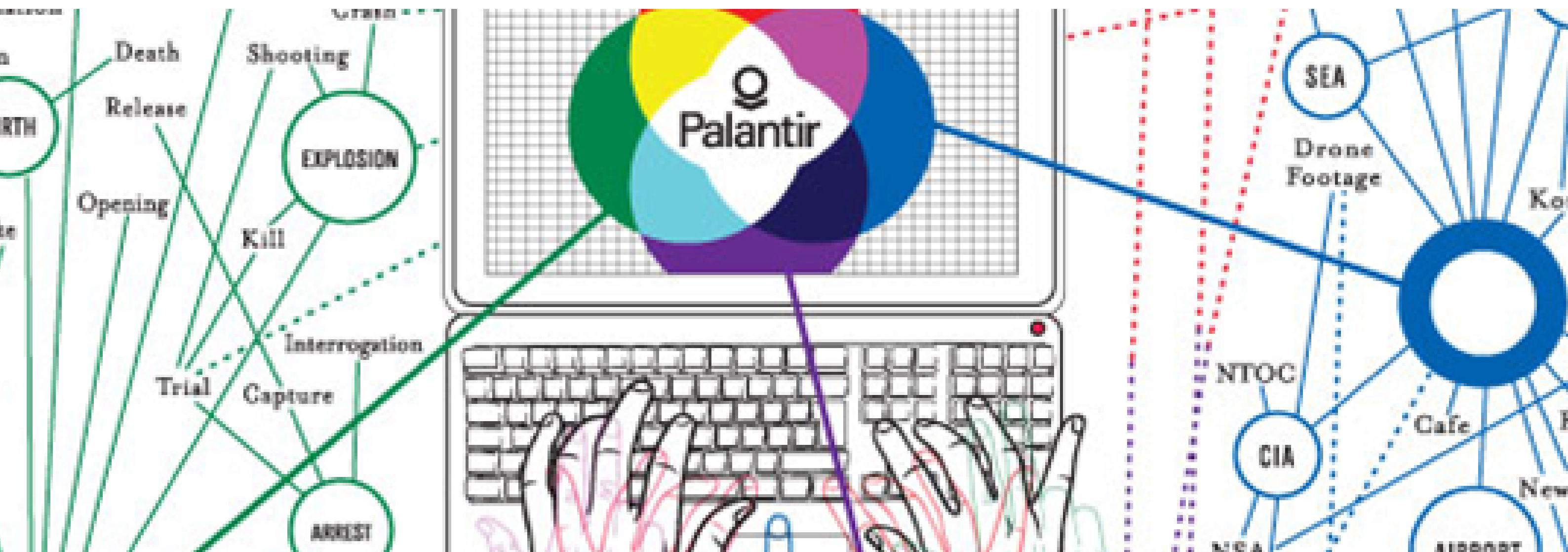
Specific contracts included mining company Rio Tinto, Amazon web service, energy companies PG&E and BP, the US Army and Air Force, the US Federal Administration and the UK National Health Service. Other contracts from the beginning of 2021 include IBM, which benefits PLTR through expansion of its distribution capabilities as it has access to more customers through IBM. Another recent contract includes 3M, where 3M will benefit from adapting quickly to changes in the supply chain.

The U.S. Army previously had a base year for the Palantir software for $110 million with the option of 3 extra years. In December they extended the contract and awarded another $110 million.

In December, the U. K's National Health Service a two-year deal to PLTR worth $31.5million. Their software will be used to understand the spread of Covid-19, identify risks, and find ways to combat these.

Another contract recently signed was worth $44.4million with the U.S. Food Drug Administration (FDA). The three-year contract covers data and analytics services which will aim to speed up the review period for potential new medicines.

PLTR recently announced a partnership with Amazon, as they optimise their Enterprise Resource Planning (ERP) system for Amazon Web Services, making it more accessible to millions of customers. This benefits PLTR by allowing them to have more exposure and opportunities which Amazon offers.



SWOT ANALYSIS

Strengths

- Strong relationship with International Governments who use PLTR software.
- In certain industries such as counterterrorism, they have a minimal number of competitors.
- The intellectual work they do is hard to put a price on, making it harder for competitors to compete with their price, unless these competitors have a better relationship with clients, or are clearly able to provide a better-quality software.
- The software allows them to scale up without having to invest significant amounts.

Weaknesses

- Lack commercial customer base but are improving this.
- Rely on Government contracts
- Restricted to working with allies of the US government, and do not reach those who aren't included.
- Recently came out of a lockup period, where insiders were able to sell 20% of their shares. Most chose to do so, with around 2.7 million being sold. This multiplied the effect of the downward selling pressure and have caused investors to question why insiders all chose to sell.

Opportunities

- All the catalysts from new contracts listed in the page above.
- Need for companies to have integrated data.
- Increased threat of cyber-crimes increases the need for PLTR
- The opportunities for PLTR are increasing as life goes on, firms are always finding more data which they are needing to be analysed.
- Increasing clients and contracts from international markets and governments.

Threats
- Competitors include IBM, SPLUNK,
- Increased Government intervention within the tech industry
- The reliance on the Government, and what control the Government has over them creates ethical issues.

INSTITUTIONS

Based on data from quarter 4, we can see that 438 institutions hold shares of Palantir with the top holder being Disruptive Technology Advisers LLC holding 41,011,231 shares. This is equivalent to a $1.098 billion equity stake of Class A shares. The second biggest holder is Blackrock Inc holding 33,350,543. The total institutional holding of Palantir is 18.56%.

(The data below is as of March 28th 2021 - beware price fluctuations in the value of shares due to Palantir's share price.)

Owner Name	Shares Held	Value (in 1000s)
Disruptive Technology Advisers LLC	41,011,231	$926,034
BlackRock Inc	33,350,543	$753,055
72 Investment Holdings LLC	29,203,752	$659,421
Vanguard Group Inc	20,545,434	$463,916
JPMorgan Chase & Co	19,910,303	$449,575
Ark Investment Management LLC	1,317,122	$29,741

Analyst consensus has this stock at a Moderate Sell rating with their average price of $25.83, the high at $40 and the low at $15. This is based on 7 Wall street analysts in the last 3 months, offering their 12-month price targets. There are 2 analysts who rate this as a buy, 1 analyst as a hold and 4 analysts rating the stock as a sell.

Number of Insider Trades

INSIDER TRADE	3 MONTHS	12 MONTHS
Number of Open Market Buys	10	33
Number of Sells	21	68
Total Insider Trades	31	101

Number of Insider Shares Traded

INSIDER TRADE	3 MONTHS	12 MONTHS
Number of Shares Bought	117,838,521	250,657,971
Number of Shares Sold	27,752,159	87,365,535
Total Shares Traded	145,590,680	338,023,506
Net Activity	90,086,362	163,292,436

The data above is as of March 28th, 2021.

Although there are some concerns about the lockup period and insiders being able to sell and take profits. Evidently, the number of insiders buying, re more than the insiders selling which can offer strong confidence for Palantir.

TECHNICAL ANALYSIS

From a technical point of view, Palantir has established three levels where price has tested and either rejected or held. The first support level is at $22.00. As we can see from the daily chart, price has tested this level four times and price has always rejected off this level indicating a support price for Palantir. The next level would be at $29, the reason is you can see price testing the ceiling three times and both times, price has rejected off this level. The last pivot point would be at $26.50. At this level we can see price flipping to support, once it broke this level. Also, we can see this pivot point to now be a resistance level where price has rejected off three times.

We can see that Palantir's share price is below all three key moving averages which indicates to us we are trending bearish. With not much price history, the 200MA has only a limited range but as we can see, Palantir's price has broken below this moving average. Generally the 200MA is considered to be the long term trend of price. With a crossing of the 50EMA with the 200EMA we could see more bearishness if price respects the 50ema.

If this $22 support level holds, we could see a bounce from this level hopefully to the previous lower high. However, if market structure is broken, we could see a bearish move down and form another lower low. On the RSI, we do see bullish divergence but with the overall market concerns, we could see a break below the $22 support level and a continued bearish run.

BUY PALANTIR?

Where could we see this stock going?

Using indicators, we can use the Relative Strength Index to show that now, this is nearly considered to be oversold, and undervalued, as the RSI is at 45. The MACD blue line is above the orange line, evident that momentum is on the upside, however it looks as though the orange line may overtake the blue line. The price is also retreating above the 50 and 21EMAs. All these indicators are evidence that the stock is technically a good stock to invest in now, with a higher reward to risk being taken. In the short term, we could see a return to its highs, providing the market's worries over rising bond yields and inflation rates subside.

Recent Market Correction

It is important to consider the environment of the market now. During Covid-19 the retail, travel and banking industries did not have much activity within them. People used this opportunity to take money from those industries and move them into more speculative industries such as technology and electric vehicles. They also did this to take advantage of the low interest rates within the economy. However, as the economy is expected to bounce back due to Covid-19 vaccinations and the roadmap to releasing the economy, this has affected the markets. Inflation is expected to rise, alongside higher interest rates. This encourages people to take money out of speculative tech and EV industries and bank into the industries which will bounce back such as retail, banking, and travel.
The rising bond yields also contributed to the correction.

While keeping the above points in mind, after every correction and crash, the market makes new highs in the long run. It is important to consider how long you are willing to invest for.

Example:
You buy 100 shares of PLTR at $24, with a price target of $40.
Total Cost: $2,400.
Potential loss: $400 (assuming it were to hit $20, and you were to sell, and not hold.)

Potential Profit: $1600 ($16 per share) in the short run.
Risk to Reward ratio: 1 : 4

OUR THOUGHTS

Dylan Wright

"Personally, I intend to BUY this stock. Fundamentally they are doing everything right. The catalysts they have for upcoming years have only just begun and have not all been included in recent earning reports. As a leader within an industry with a small number of relevant competitors, they have lots of room to grow, and obtain more contracts to increase revenues and their financials. The opportunities they have as a company are always growing as there is endless amounts of data to analyse, and more being created daily.

The only issue I have for this stock is the recent insider sell off, however this may be due to tax reasons. It is important to be cautious of why the insiders were selling, however this may be tactical. After being in a lockup period, for retail investors it is expected that the stock falls as insiders sell. Some insiders may use this as an opportunity to take profits and get in at a lower discounted price. Evidently, more insiders are buying than selling which will also offer more confidence for PLTR.

The risk to reward of this stock is also one of my favourites, technically, I do not see this stock going below the support at $20, and with a short-term target of its highs at $40, it offers very good profits with little risk.

I have a 1-year price target of their all-time high of $40, a 5-year target of $100 and a 10-year target of $300."

Avish Patel

"Overall, the stock may seem daunting if you look at current financial reports, but the company has developed a unique product which will certainly shine in clients who invest in this company's services. This is due to their data analytics providing a different picture based on data of the business' performance. Providing this company continues to secure new clients, I believe the company will thrive because Palantir uses software to optimize business logistics through scenarios from their algorithms. As the market for data analytics grows due to the growing demand for AI and machine learning technology, Palantir can benefit from this by increasing their client base which ultimately improves their revenue growth and thus appreciate their share price."

I believe this stock will be over $100 in 5 years' time if we start to see the company generating an operating profit whilst significantly increasing revenue through big partnerships with governments and corporate clients. In 10 years', time the stock could be worth $150-$200."

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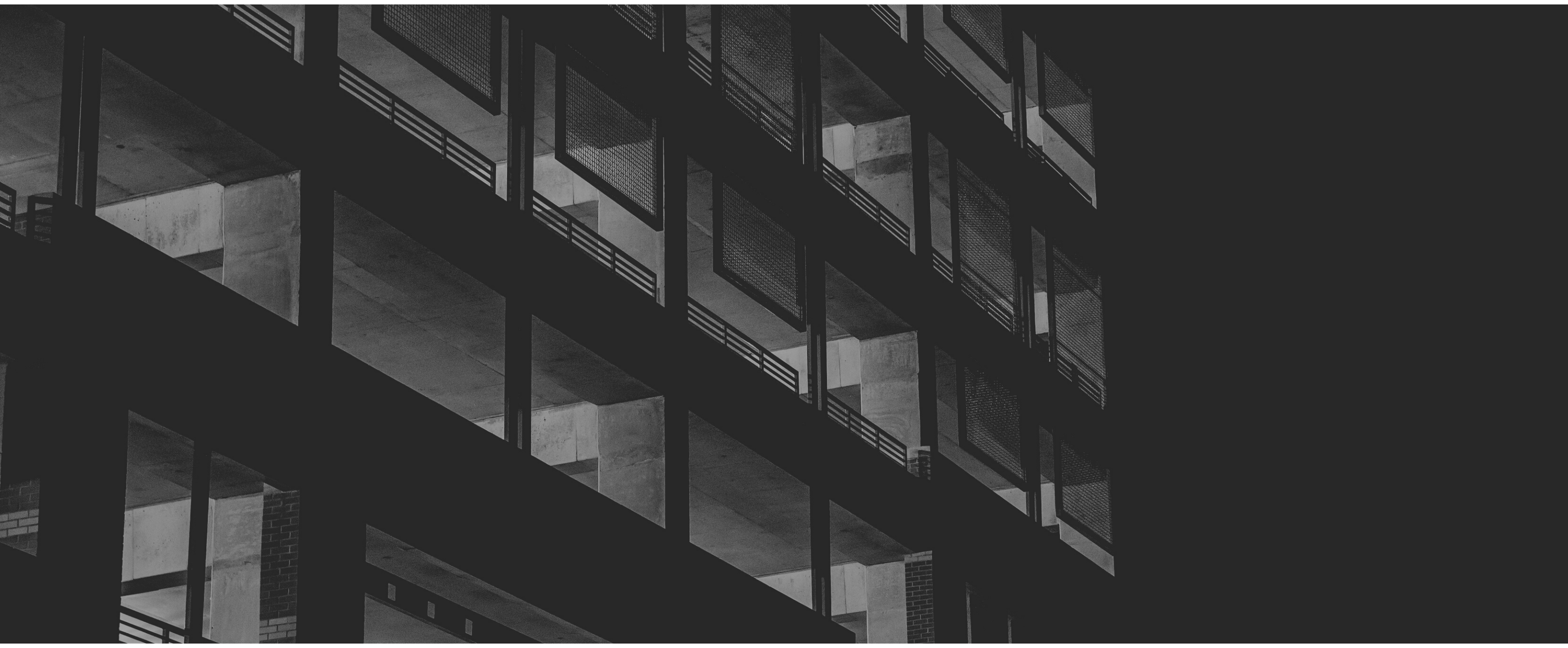

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