




Palantir Technologies Inc. Q3 2025

Earnings Report Update

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Company Overview

Palantir Technologies Inc., founded in 2003 and headquartered in Denver, builds advanced software platforms for data integration, analysis, and operational decision-making. Its core products, Gotham, Foundry, Apollo, and the Artificial Intelligence Platform, empower governments and enterprises to transform complex data into actionable intelligence, supporting missions from counterterrorism to commercial innovation across the United States, United Kingdom, and globally.

GUIDANCE

Palantir raised its outlook, projecting Q4 2025 revenue of \$1.327–\$1.331 billion and full-year revenue of \$4.396–\$4.400 billion, reflecting continued growth and profitability.

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Palantir CEO Alexander C. Karp reflected on the company’s record \$1.2 billion in Q3 2025 revenue and \$476 million profit, emphasizing disciplined growth, relentless innovation, and a refusal to expand recklessly. He credited constraints as a driver of progress and urged a revival of shared national values, arguing that America’s unity and cultural strength remain essential to enduring success.

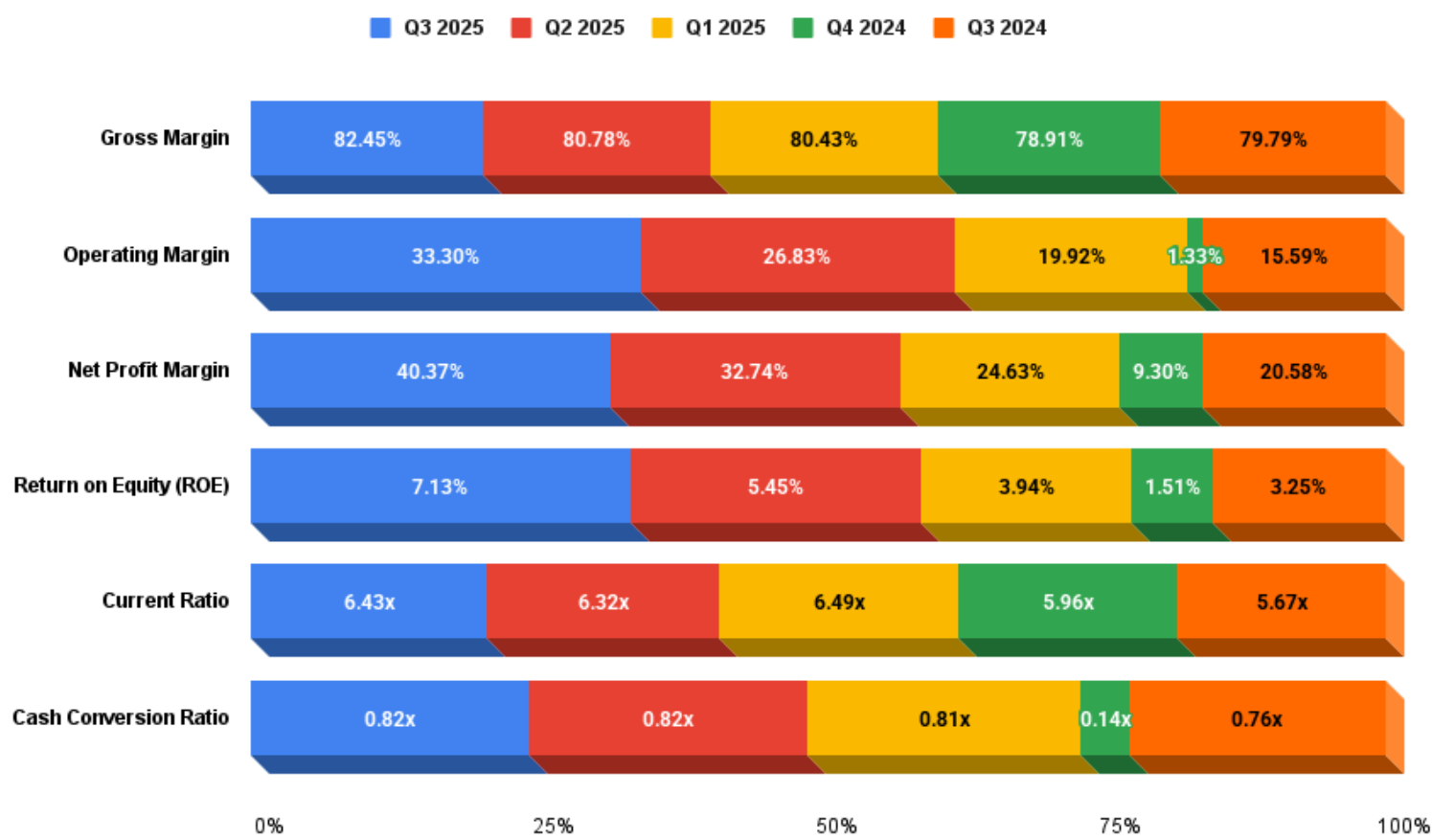
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CEO’s Commentary

Expectation Analysis

MILLION USD	Q3 2025	ESTIMATE	BEAT/MISS
REVENUE	1.18B	1.09B	8.20%
EBITDA	607M	500M	21.30%
EBIT	601M	502M	19.70%
EPS (adjusted)	0.21	0.17	25.50%

Margin and Efficiency Analysis



Revenue/Profitability Summary				
Millions USD(\$), except EPS	Q3 2025	QOQ	YOY	
Revenue	1,181.09	17.67%	62.79%	
Gross Profit	973.79	20.11%	68.22%	
Income from operations	393.26	46.02%	247.58%	
Interest income	59.76	6.23%	14.66%	
Income before tax	480.50	44.66%	205.76%	
Net income	476.75	45.10%	219.23%	
Earnings per share	0.18	38.46%	200.00%	
Cost/Expenses Summary				
Millions USD(\$)	Q3 2025	QOQ	YOY	
Cost of Revenue	207.31	7.45%	41.37%	
Sales and marketing	274.64	12.65%	31.11%	
Research and development	144.19	6.77%	22.66%	
General and administrative	161.70	-0.56%	16.58%	
Total Operating Expense	580.53	7.22%	24.65%	
Provision for income taxes	3.75	4.37%	-51.94%	
Segment Performance				
Millions USD(\$)	Q3 2025	% Revenue	QOQ	YOY
Government	632.68	53.57%	14.41%	54.94%
Commercial	548.42	46.43%	21.68%	72.91%
United States	882.57	74.73%	20.47%	76.87%
United Kingdom	114.71	9.71%	18.05%	65.06%
Rest of world	183.81	15.56%	5.68%	17.05%
Key Items of Financial Position Summary				
Millions USD(\$)	30th September	YTD	QOQ	YOY
Current assets	7,586.16	27.84%	10.10%	41.75%
Non-current assets	527.80	29.81%	11.05%	26.83%
Total assets	8,113.96	27.96%	10.16%	40.67%
Current liabilities	1,180.40	18.51%	8.33%	25.11%
Non-current liabilities	245.29	-2.06%	-2.07%	5.15%
Total liabilities	1,425.69	14.38%	6.39%	21.16%
Total equities	6,688.27	31.29%	11.00%	45.67%

Performance Highlights

- Palantir delivered record Q3 2025 revenue of \$1.181 billion, a 63% year-over-year and 18% sequential increase. This strong expansion was driven by strong US commercial adoption and increased government contracts.
- US revenue rose 77% year-over-year and 20% quarter-over-quarter to \$883 million, underscoring the company's dominance in its home market. Both government and commercial demand surged, fueled by rapid AIP (Artificial Intelligence Platform) adoption across diverse sectors.
- US commercial revenue grew 121% year-over-year and 29% quarter-over-quarter to \$397 million, marking the fastest expansion in the company's history. This reflects significant enterprise uptake of Palantir's AI and data integration tools as US firms intensify their digital transformation efforts.
- Government revenue climbed 52% year-over-year and 14% quarter-over-quarter to \$486 million. Continued contract renewals and mission-critical deployments across US defense and intelligence agencies reinforced Gotham's strategic role in government operations.
- GAAP income from operations reached \$393 million, a 33% margin, while adjusted income from operations totaled \$601 million, representing a 51% margin. This highlights efficient cost management and the high operating leverage of Palantir's software model.
- GAAP net income rose to \$476 million, a 40% margin, demonstrating Palantir's sustained profitability. Adjusted net income attributable to common stockholders was \$529 million.
- Cash from operations totaled \$508 million, representing a 43% margin, while adjusted free cash flow reached \$540 million, or 46% of revenue. These results highlight Palantir's strong capital efficiency.
- Palantir closed 204 deals worth over \$1 million, including 53 above \$10 million, with total contract value reaching a record \$2.76 billion, up 151% year-over-year. Customer count grew 45% year-over-year, showcasing robust market penetration.
- US commercial total contract value surged 342% year-over-year to \$1.31 billion, while remaining deal value grew 199% to \$3.63 billion. This validates the strong and recurring demand for AIP across enterprise clients.
- Palantir raised its full-year revenue guidance to \$4.396–\$4.400 billion and expects adjusted operating income of \$2.151–\$2.155 billion. US commercial revenue is now forecast to exceed \$1.433 billion, reflecting growth of at least 104% for 2025.

Concerns Raised

- Despite profitability, cash and equivalents fell from \$2.1 billion to \$1.6 billion due to heavy investments in marketable securities. While strategic, this reduction may limit near-term liquidity flexibility.
- Accounts receivable rose 75% to over \$1 billion, suggesting delayed collections or growing credit exposure. This trend warrants monitoring as rapid revenue expansion strains working capital efficiency.
- Stock-based compensation remains a major overhang on shareholder value, totaling \$488 million year-to-date, up from \$410 million in 2024. While management has made progress in moderating issuance, the pace of equity-based payouts continues to dilute earnings and suppress return per share, raising persistent concerns about the company's capital discipline and long-term value creation for investors.
- With 75% of revenue derived from the US and significant reliance on government contracts, Palantir faces concentration and policy risk. Any shift in defense spending or regulation could materially impact future growth.

OUR INSIGHT

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Palantir's Q3 2025 performance showcased exceptional financial momentum but continues to face mounting valuation concerns, as a growing number of analysts argue that its stock trades at premium multiples that already price in near-perfect execution. Despite this, the quarter reflected strong fundamentals, with a gross margin of 82.45%, operating margin of 33.3%, and net profit margin of 40.37%, underscoring the firm's software scalability and disciplined cost control. Return on equity rose to 7.13%, supported by robust profitability, while a current ratio of 6.43 and cash conversion ratio of 0.82 highlight solid liquidity and consistent cash generation.

In the short term, the outlook remains positive, driven by accelerating U.S. commercial growth, record contract wins, and upgraded guidance. However, the lofty valuation and heavy reliance on government contracts raise questions about sustainability and margin for error. Over the long term, expanding AI adoption, recurring revenue strength, and a healthy balance sheet support sustained growth potential, yet the debate for investors is shifting from growth strength to growth at what price, keeping valuation discipline firmly in focus.

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