




# **PALANTIR TECHNOLOGIES**

## **Q1 2026**

# **Earnings**

# **Report Update**

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## Company Overview

Palantir Technologies operates a software business focused on data integration, intelligence analytics, and artificial intelligence solutions for government and commercial clients. Its core operations are anchored in Palantir Gotham, which supports defense, intelligence, and national security missions by enabling real-time data analysis, situational awareness, and operational decision-making.

Beyond this, Palantir Foundry provides enterprise data infrastructure that helps organizations integrate, manage, and analyze complex datasets across business functions.

The company also offers Palantir Apollo and its Artificial Intelligence Platform, which enable software deployment across multiple environments and support the application of large language models to operational workflows and decision-making.

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For Q2 2026, the company expects revenue of \$1.797–\$1.801 billion and adjusted income from operations of \$1.063–\$1.067 billion. For full-year 2026, guidance was raised, with revenue projected at \$7.650–\$7.662 billion, U.S. commercial revenue expected to exceed \$3.224 billion (implying at least 120% growth), adjusted operating income forecast at \$4.440–\$4.452 billion, and adjusted free cash flow estimated at \$4.2–\$4.4 billion. The company also expects positive GAAP operating income and net income in each quarter of 2026.

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## Outlook

## Expectation Analysis

USD (\$)	Q1 2026	ESTIMATE	BEAT/MISS
REVENUE	1.63B	1.54B	5.9%
EBITDA	990M	887M	11.7%
EBIT	984M	877M	12.2%
EPS (adjusted)	0.33	0.28	18.1%

Source: Quarter

## Revenue by Segment and Geography

Million USD	Q1 2025	Q1 2026	YOY
U.S. Government	373.37	687.00	83.99%
U.S. Commercial	255.25	595.00	133.06%
United States	628.62	1,282.00	103.94%
International markets	255.24	350.58	37.38%

In Q1 2026, United States revenue contributed 78.51% of total revenue, up from 71.07% in Q1 2025, reflecting a +7.44% increase. Conversely, international revenue contribution declined to 21.49% from 28.93% because U.S. growth significantly outpaced global expansion.

Segmentally, U.S. government remained stable, contributing 42.09% of total revenue in Q1 2026 versus 42.23% in Q1 2025, indicating consistent institutional demand. However, U.S. commercial expanded materially, rising to 36.44% from 28.88%, a +7.56 percentage point increase, making it a significant growth driver for the quarter. This shift highlights Palantir's accelerating transition toward a commercial AI-led growth model, with enterprise adoption now showing increasing share of the revenue mix.

## Financial Summary

Million USD	Q1 2025	Q4 2025	Q1 2026	YOY
Revenue	883.86	1,406.80	1,632.58	84.71%
Cost of revenue	172.97	215.97	215.80	24.76%
Gross profit	710.89	1,190.84	1,416.79	99.30%
Operating expenses	534.84	615.44	662.78	23.92%
Income from operations	176.05	575.39	754.00	328.29%
Income before tax	223.32	621.38	888.60	297.91%
Net income	217.72	611.61	876.40	302.54%
Net Income per share	0.08	0.24	0.34	325.00%
Net cash from operations	310.26	777.30	899.17	189.81%
Net cash from investing	-1,390.28	-957.83	-26.72	98.08%
Net cash from financing	-28.90	-10.90	3.40	111.76%
Net change in cash	-1,104.93	-193.40	873.43	179.05%

Source: Company's Q1 Financial Statement

# Performance Highlights

- Palantir's Q1 2026 performance is decisively U.S.-driven, with U.S. revenue rising 104% year-on-year to \$1.28bn, accounting for the bulk of total revenue. U.S. commercial revenue surged 133% to \$595mn, while government revenue grew 84% to \$687mn, highlighting a structural shift toward faster-growing commercial demand.
- At the consolidated level, revenue increased 85% year-on-year to \$1.63bn, supported by strong deal execution and contract expansion. The company closed 206 deals above \$1mn, including 72 above \$5mn. Total contract value rose 61% to \$2.41bn, while remaining deal value expanded significantly.
- Growth is primarily driven by Palantir's Artificial Intelligence Platform's accelerating adoption across industries. U.S. commercial expansion reflects rising demand for AI-driven enterprise solutions in healthcare, defense-linked sectors, and analytics. Government demand remains stable, supported by defense, intelligence, and geopolitical needs for advanced data-driven decision systems.
- Profitability improved significantly, with gross profit rising 99% to \$1.42bn as cost of revenue grew more slowly. Operating income surged to \$754mn from \$176mn, reflecting powerful operating leverage as revenue growth outpaced cost increases.
- Adjusted profitability metrics reinforce this strength, with adjusted operating income at \$984mn and adjusted EBITDA at \$990mn, translating to margins above 60%. This reflects a rare combination of hypergrowth and efficiency, consistent with a Rule of 40 score of 145%, well above typical industry benchmarks.
- Net income rose to \$871mn with earnings per share increasing to \$0.34. Cash generation remained strong, with operating cash flow of \$899mn and free cash flow of \$925mn, indicating high earnings quality and efficient conversion despite scaling pressures.
- Operating expenses rose 24% to \$663mn, below revenue growth, supporting margin expansion. Sales and marketing increased 35%, while R&D rose 19% and G&A 12%. Stock-based compensation reached about \$202mn, a key cost that supports talent retention.

## Concerns Raised

- The first concern is revenue concentration risk, particularly geographic concentration in the U.S. market. With U.S. revenue driving the majority of growth, the company is exposed to policy, fiscal, and enterprise spending cycles within a single region.
- Stock-based compensation remains elevated at approximately \$202 million for the quarter. While this is typical for high-growth technology firms, persistently high equity-based pay may lead to existing shareholders dilution over time.
- Thirdly, working capital pressure is emerging, with accounts receivable rising sharply (+35% QoQ approx.), reflecting aggressive deal expansion. While this aligns with revenue growth, it could impact cash flow timing if collections lag.
- Additionally, the company's growth is heavily tied to AI adoption cycles, which while currently strong, remain subject to enterprise budget cycles, competition, and technological shifts, particularly from hyperscalers and integrated AI platforms.

### OUR INSIGHT

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Palantir presents a high-quality growth profile anchored on exceptional revenue expansion, strong operating leverage, and industry-leading profitability metrics, driven by accelerating enterprise adoption of its AI platform. The sharp rise in U.S. commercial revenue and expanding deal pipeline reinforce its transition into a scalable, AI-led enterprise software provider with sustained earnings momentum and strong cash generation.

However, the durability of its competitive advantage is increasingly under scrutiny. Palantir's traditional moat, deep client integration through embedded engineering teams, is gradually being challenged as competitors such as OpenAI and Anthropic adopt similar deployment models. The rapid evolution of agentic AI frameworks is lowering barriers to entry, raising the risk that Palantir's differentiation in complex AI orchestration could narrow over time.

From a portfolio perspective, while growth visibility remains strong, the potential erosion of competitive exclusivity introduces valuation risk, particularly in a market already pricing in sustained hypergrowth. This creates a scenario where any moderation in growth or differentiation could trigger multiple compression, even in the presence of strong earnings delivery.

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