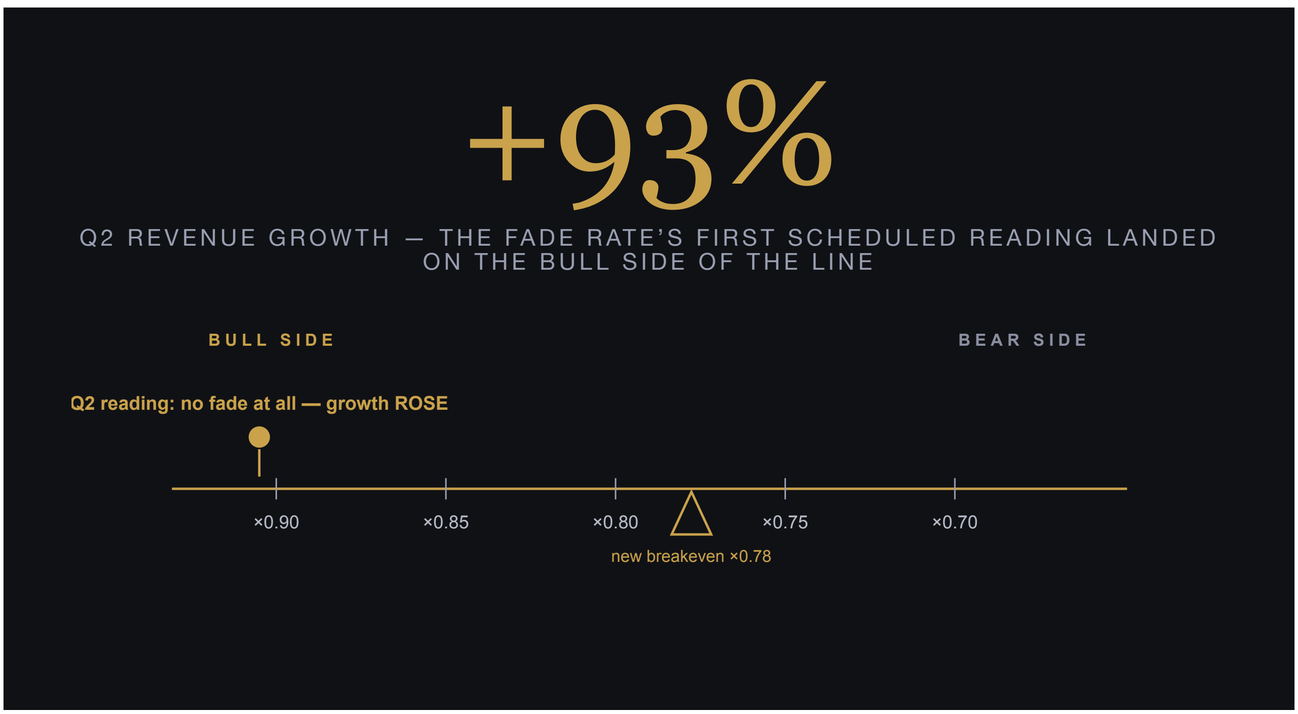
TON618 Capital

RESEARCH · SINGLE-NAME VALUATION
4 AUGUST 2026 · POST-EARNINGS

PALANTIR TECHNOLOGIES (PLTR) · $154.22 · 4 AUGUST 2026 · SEQUEL TO THE FADE LINE

The Fade Line, Measured

We published the test before the answer. Palantir cleared every threshold — growth accelerated to +93% — and under our own pre-registered rules, the fair value moves. The full valuation, from what the company actually does to what its price now demands.



4 / 4	59×	×0.78	$149
pre-registered thresholds cleared (three revenue bars + the guide bar)	EV/trailing sales at $154.22 — RICHER than the 56× at $125 before the print	new breakeven fade (was ×0.78) — the demanded persistence eased	restated weighted fair value on diluted shares (was $112) — range $72–$230

THE SCOREBOARD · WHAT WE SAID BEFORE WE KNEW

Yesterday morning we wrote the test. Last night Palantir took it.

Hours before this print, we published The Fade Line: a valuation built backwards from Palantir's price, compressed into one number — the **fade rate**, the fraction of each year's growth that survives into the next — with revenue thresholds for this exact report written down in advance, so the print would grade our framework instead of our hindsight. The grades:

THRESHOLD, AS PUBLISHED BEFORE THE PRINT	Q2 ACTUAL	VERDICT
Revenue ≥ $1.86B (+85%): slow-fade evidence	$1.9B (+93%)	**CLEARED — growth accelerated**
Consensus $1.81B (+80%)	beat by 6.9%	**CLEARED**
Below $1.78B (+77%): first fast-fade datum	not approached	**MOOT**
FY26 guide through $7.9B: strongest signal	$8.2B (+82%)	**CLEARED by $254M**

The morning note's thresholds, published ~10:45 ET 3 Aug, scored against the 8-K released after the close the same day.

Revenue didn't just clear the top threshold; growth *accelerated*, from +85% to +93% — a sixth consecutive quarter of acceleration, at a scale where every prior software company in history was already slowing. EPS came in at $0.41 against $0.33 expected, the sixth beat in seven prints. The stock gapped to $154.22 by mid-morning today — **+22.7%**, more than double the ±11.4% the options market had priced. And under the re-weighting rule the morning note pre-registered ("two consecutive quarters holding 80%+ growth = evidence for the slow-fade world"), our scenario weights are now obligated to move. This note re-measures everything — and explains, for readers arriving fresh, what this company actually is.

THE COMPANY · IN PLAIN LANGUAGE

What Palantir actually does

Palantir builds the operating layer that lets a large institution — an army, a hospital network, a manufacturer — run its operations through software that understands the institution's own data, people, and processes as one connected model. Four platforms make one machine. **Foundry** hosts the **Ontology**: a living digital model of the organization where data, meaning, and *action* are bound together — a data warehouse answers questions; the Ontology executes decisions. **Gotham** is the defense and intelligence version, wrapped in security accreditations and a twenty-year operational record that no competitor can buy. **Apollo** is the delivery system that ships all of it anywhere — public cloud, factory floor, air-gapped classified network — from one codebase. And **AIP**, the 2023-vintage AI layer, is why the company is growing 93%: it connects any large language model to the Ontology with permissions and guardrails, so AI can safely *do* things — reroute the shipment, flag the claim — rather than chat about them. Sold through week-long "bootcamps," it closed 220 deals of $1M+ in this single quarter.

Revenue splits roughly half government (Q2 US government: $809M, +90%), half commercial (US commercial: $764M, +149%), with the US at 81% of the total — this is, for now, an American growth story. The quality of the P&L under it has become extraordinary: 47% GAAP operating margin, 55% GAAP net margin, 63% cash-flow margin, and — for the first time — GAAP earnings equal to "adjusted" earnings, the cleanest answer yet to the old stock-compensation critique. All of it is produced by roughly 4,400 employees — about $1.4 million of revenue per person, among the highest figures in software — and summarized by the industry's "Rule of 40" health score (growth rate plus profit margin, where 40 counts as excellent): Palantir just printed **155**.

⚖ THE MOAT · AND THE FIVE FORCES

The moat is real. Here is exactly where it is — and isn't.

Four reinforcing moat sources, in declining order of strength. **Switching costs:** once operations run through the Ontology, leaving is an ERP-scale re-implementation, not a subscription cancellation — visible in remaining deal value expanding 27% in a single quarter. **Regulatory intangibles:** the accreditations, clearances, and two decades of live government history form a wall that funding cannot cross quickly — and recent procurement reform turned that wall into a weapon. **Process power:** forward-deployed engineers plus Apollo's deliver-anywhere machinery produce software-company margins on services-company intimacy. **Counter-positioning:** Palantir sells AI *sovereignty* — your data never trains someone else's model — a position the AI labs cannot copy without self-destructing and the cloud giants carry conflicts into.

FORCE	PRESSURE	THE ONE-LINE VERDICT
New entrants	LOW (gov) / MODERATE (comm.)	Accreditation-clearance walls no funding shortcuts; commercial entry contested by hyperscalers, not startups
Buyer power	HIGH (gov) / LOW (comm.)	~42% of revenue via the US government complex; commercial power fragmenting across 220 seven-figure buyers
Supplier power	MODERATE	Models commoditized by design; the real supplier rent is talent — ~14% of revenue in stock comp, charged in our share count
Substitutes	MODERATE-HIGH	The true rival: build-it-yourself on Databricks/cloud + integrators; bootcamps exist to beat it in days
Rivalry	LOW (gov) / MODERATE (comm.)	No full-stack equal; Microsoft bundling is the margin threat that arrives when growth slows

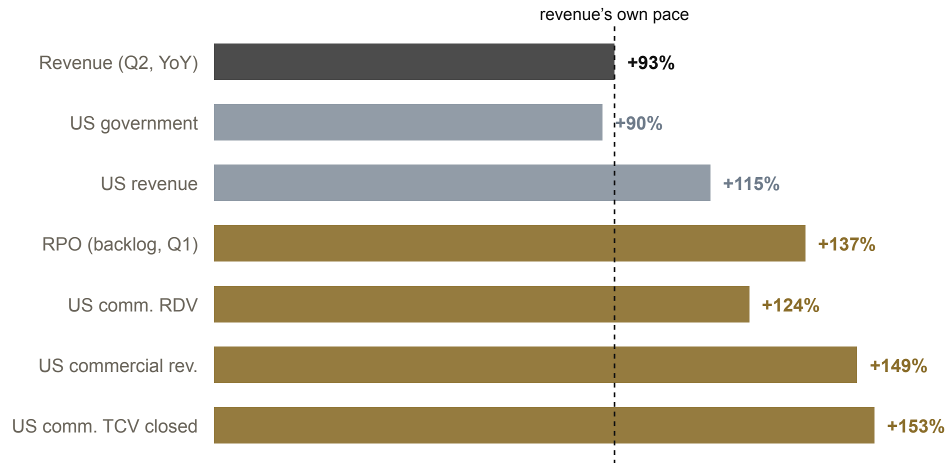
Porter's five forces, TON618 assessment. Full evidence blocks in the annex.

The forces net out unusually well — two forces favor Palantir outright, and the genuinely adverse one (a government buyer that is ~42% of revenue and negotiates like a sovereign) is offset by how deeply the software is embedded in missions that cannot pause. Where the framework bites is the *margin assumption*: we model a 40% steady-state cash margin, far below today's reported 63%, precisely because buyer power and the build-it-yourself substitute should compress pricing as the category matures. The moat protects the business. Nothing protects the multiple.

THE EVIDENCE · GROWTH QUALITY

The pipeline is outrunning the fastest P&L in software

The single most important analytical fact in this report: every leading indicator of Palantir's revenue is growing *faster than revenue itself*. Backlog (+137%), remaining commercial deal value (+124%), closed commercial contract value (+153%) — in a fade-rate framework, this is what a slow fade looks like from the inside:

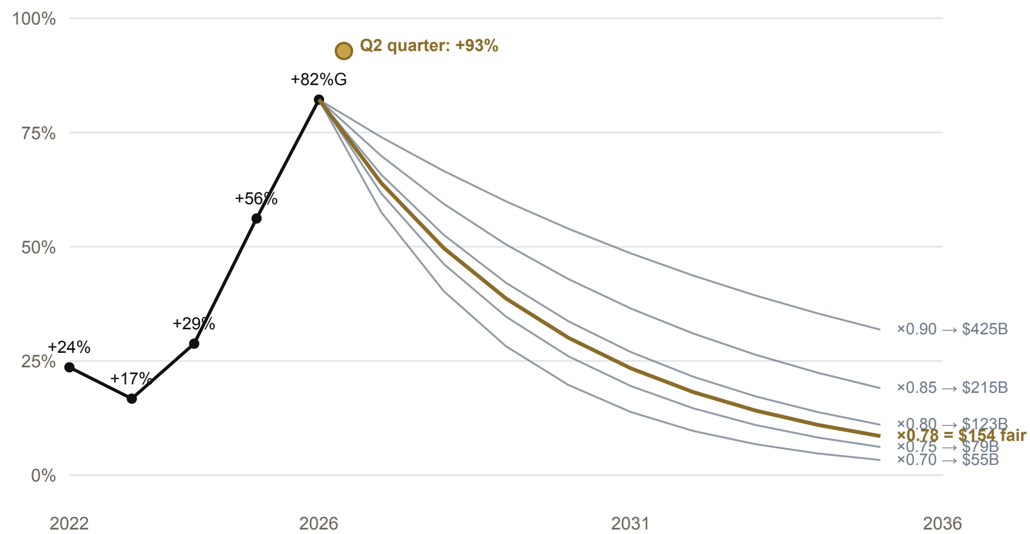


Quality checks, honestly reported. The receivables stretch we flagged yesterday morning *cleared*: Q2 collections improved to ~70 days of sales outstanding, reversing the first-quarter stretch and back in line with Q4-2025's best. Customers are paying ahead — deferred revenue up 42% in six months. The two structural costs stand and are charged in our numbers rather than excused: stock compensation (~14% of revenue) and its dilution — this note values the company on **2.571 billion diluted shares**, not the 2.397B basic count, a ~7% per-share haircut most Palantir math quietly skips. One disclosure gripe: customer counts and net-dollar-retention have vanished from the company's releases; for a story built on expansion, removing the cleanest expansion metric is a choice we flag every time until it reverses.

THE MACHINE · RE-MEASURED

The fade line, re-measured: the demanded growth just got easier while the stock went up

Run the machine backwards on post-print inputs — $369.7B market value at $154.22, minus $9.2B cash, over $6.2B trailing revenue. The multiple *fell* on the print: 59× trailing sales versus 56× yesterday morning at a lower price, because the business grew faster than the stock. The decade-long growth demanded to earn 10%/yr at a 10×-sales exit eased from 30.7% to **31.3%**; the breakeven fade moved from ×0.78 to **×0.78** — the market now needs Palantir to keep only ~78% of each year's growth rate, seeded from a guide that just went *up*.



The chart's left edge is the discipline in this framework: Palantir's own 2023 — growth collapsing to 17% before the AI wave re-lit it — proves this company's growth regime has flipped twice in four years, in both directions. Bulls and bears are ultimately arguing about which chapter of that history is repeating; the fade paths simply price each answer.

> *The odd arithmetic of hypergrowth: at +9% after hours last night this stock was cheaper than before the print. At +23% by this morning's open it was richer than before it. The multiple, not the quarter, is always the bet.*

SCENARIO	PROB.	FADE	2036 REVENUE	FAIR VALUE	VS $154.22	WHAT IT ASSUMES
Bull	35%	×0.85	$215B	$230	+49%	AI-sovereignty cycle persists; the acceleration seen in Q1-Q2 2026 fades only slowly; still ~19% growth in year 10
Base	45%	×0.78	$102B	$120	-22%	strong but mortal: the guide's glide path, then software gravity — growth halves every ~3 years
Bear	20%	×0.70	$55B	$72	-53%	the 2023 stall revisited at scale: law of large numbers plus procurement/budget friction, ~3% by year 10
Weighted	**100%**			**$149**	**-3%**	

Scenarios on post-print inputs: seed +82% (the raised guide), 40% steady-state cash margin, 10% discount rate, 3.5% terminal growth, diluted shares +2%/yr. Weights re-set from 25/45/30 under the pre-registered rule.

Weighted fair value: $149 per diluted share — 3.4% below this morning's price, restated from yesterday's $112. Three forces moved it, all disclosed in advance or found in the audit: the pre-registered re-weighting toward slow fade (bull 25→35%, bear 30→20%); the print itself (trailing revenue, cash, and the guide all higher); and the switch to diluted shares (which cut ~7% the other way). The honest range — $72 to $230 — remains the widest of any name we cover, and the rate sensitivity is violent: the base case alone runs $146 at a 9% discount rate to $87 at 12%. The deeper reason the range is wide: in every scenario, most of the present value sits beyond year five. Owning Palantir at any price near today's is, unavoidably, a claim on years none of us can see — discounted through an assumption about how gracefully excellence ages.

VERDICT

Verdict: the market repriced through our number in one night

Yesterday morning at $125 the price sat above our framework's weighted value of $112; by this morning's open the market had repriced not to our restated $149 but *through* it, to $154. One session converted the stock from modestly rich, to modestly cheap in the after-hours, to modestly rich again — while the fair value moved only on evidence. That is not a contradiction; it is what disciplined updating looks like: the fair value moved +33% on evidence while the price moved +23% on mood. At $154 the market pays a modest premium to our weighted value — it has left the base case (growth halves every ~3 years → $120) behind and is leaning toward the bull case (the AI-sovereignty cycle persists → $230). From here, further upside requires the slow-fade world to keep confirming, print after print; the framework no longer calls this price wrong — it calls it a bet with the burden of proof attached. What would move our line again, in either direction, is pre-registered as before: the Q3 print (guide implies ~+83%; below ~$2.08B, +76%, would be the first fast-fade datum), the FY26 guide's next revision, any quarter under +70% (breaks the breakeven path), two more quarters at 80%+ (bull weight rises again), or disclosure of net dollar retention in either direction — plus one this print put on the clock: a decision on the $9.2 billion cash pile, where a first buyback would materially change the per-share arithmetic. The bear case remains fully alive at $72 — a reminder that a wide moat, a perfect print, and a 49% drawdown in living memory can all be true of the same stock at the same time.

Annex. The complete 96-page analysis behind this note — eighteen sections and ten appendices covering the platform stack, the moat and five-forces evidence, five-year financial statement analysis, unit economics, quality of earnings, the scored print, the fade-path atlas and full model tables, the risk register with commentary, the steelman essays for both sides, and the unabridged source, assumption and limitation logs — is available as the annex, on request.

Sources & Method

The print. All Q2-2026 figures (revenue $1,935.464M; GAAP EPS $0.41; GAAP operating income $912M / net income $1,062M; CFO $1,216M; adjusted FCF $1,220M; US revenue $1.573B; US commercial $764M; US government $809M; TCV $3.373B; US commercial TCV $2.132B; US commercial RDV \$6.238B; deal counts 220/98/73; Rule of 40 = 155; cash incl. short-term US Treasuries \$9.2B; Q3 guide \$2.160–2.164B; FY26 guide \$8.150–8.158B, US commercial guide >\$3.424B): Palantir Q2-2026 earnings release, SEC Form 8-K accession 0001321655-26-000039, exhibit EX-99.1, period 30 Jun 2026, filed and pulled 3 Aug 2026.

Prices. PLTR \$154.22 live at 10:00 ET, 4 Aug 2026 (the valuation basis); official close \$125.65 (3 Aug 2026); after-hours reference \$137.25 (16:20 ET, 3 Aug 2026, indicative — the valuation basis of this note); prior close \$123.06 (31 Jul); 52-week range \$106.37 (25 Jun 2026) – \$207.52 (3 Nov 2025); shares outstanding 2,397,310,643: Robinhood market data, pulled 3 Aug 2026. The 8/7 \$125 straddle (\$7.30 call + \$6.95 put = ±11.4%) was marked 10:29 ET 3 Aug, pre-print.

Statements and facts. Quarterly revenue/net income Q2-2025 through Q1-2026 and annual FY2021–FY2025: company income statements via Robinhood financials, pulled 3 Aug 2026; TTM figures sum the four most recent quarters including the Q2-26 8-K. Weighted-diluted shares 2,570,924,000: Q1-2026 Form 10-Q (period 31 Mar 2026, filed 5 May 2026), XBRL WeightedAverageNumberOfDilutedSharesOutstanding. RPO \$1.7B→\$4.5B (Dec-24→Mar-26): XBRL RevenueRemainingPerformanceObligation, USD rows. Receivables \$1,485.2M and deferred revenue \$579.4M (30 Jun 2026) vs \$1,042.1M / \$409.0M (31 Dec 2025): Q2 8-K balance sheet. DSO = receivables ÷ quarterly revenue × 91.25 = 70 days. TTM CFO \$3,400M reconstructs Q3-25 from cumulative XBRL rows (FY25 \$2,134.5M – H1-25 \$849.5M) plus Q1-26 \$899.2M and Q2-26 \$1,216M. Stock-based compensation 13.98% of revenue and ROIC 22.3%: FMP key-metrics-TTM (Q1-26 vintage), pulled 3 Aug. FY2025 segments (Government \$2,402.3M / Commercial \$2,073.2M): FMP revenue segmentation from company filings. Company history and platform descriptions: FY2025 Form 10-K (filed 17 Feb 2026), Item 1.

Model. Identical machinery to the morning note, inputs updated: fade paths $\text{growth}_{t+1} = \text{growth}_t \times \text{fade}$, seeded at +82.2% (the raised FY26 guide); $\text{DCF} = \Sigma\, \text{FCF}_t/(1.10)^t$ (t=1..10, FCF = revenue × 40%) + terminal (yr-10 FCF × 1.035 ÷ 0.065) discounted; equity adds \$9.2B net cash; per-share divides by 2.571B diluted shares grown 2%/yr. Breakeven fade solves DCF(path) = EV by bisection. Demand grid: $\text{revenue}_{2036} = \text{EV} \times (1+r)^{10} \div \text{exit multiple}$. All computation in the note's accompanying `model2.py`; the full fade ladder, three-horizon grids, and year-by-year scenario walks are in the annex.

Assumptions, labeled. The 40% steady-state cash margin (vs 63% reported — SBC treated as a real cost and maturity pricing-compression per the five-forces analysis), 10% WACC (sensitivities 9–12% shown), 3.5% terminal growth, 2%/yr dilution, +82% seed, scenario fades (×0.85/×0.78/×0.70) and probabilities (35/45/20) are TON618 analytical judgments, not data. The probability re-weighting from the morning note's 25/45/30 follows that note's own pre-registered rule. After-hours prices are indicative; figures should be read against the 4 Aug regular session. Comp multiples referenced from the morning note carry its 3 Aug 10:30 ET vintage.

Prior TON618 research relied upon. *The Fade Line — What Palantir's Price Actually Demands* (3 Aug 2026, pre-print) — the framework, thresholds, and pre-print state this note scores and restates; its published fair value of \$112 (basic shares, \$125.24) is superseded by this note's \$149 (diluted shares, post-print). *AI Capex Payback Clock* — demand context.

Disclosures

Methodology & data. Valuation is a scenario-weighted reverse discounted-cash-flow on revenue fade paths, cross-checked against a required-growth grid and comparable-company multiples; this note restates the same-day pre-print valuation under its pre-registered updating rule. Fair-value and scenario figures are estimates with wide, explicitly-stated uncertainty; scenario probabilities are judgment. Prices as of 10:00 ET 4 Aug 2026 ($154.22; prior close $125.65; post-print after-hours ~$137.25, indicative). Price sources: Robinhood market data; fundamentals: company SEC filings and Financial Modeling Prep.

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