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# TRIVARIATE RESEARCH

## COULD PALANTIR BE THE BEST SHORT IDEA?

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## BACKGROUND AND RESEARCH SUMMARY

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**Background:** Palantir (Ticker: PLTR) is currently \$291 billion in market capitalization with the consensus expectations for \$3.89 billion in 2025 revenue. At the end of June 2024, PLTR was \$56.4 billion in market capitalization, toward the upper end of the mid-cap. universe range. After going up nearly five-fold, the stock is now the 25<sup>th</sup> largest stock in the S&P500 – but is still not in the large cap. universe. The pending rebalance at the end of June 2025 could make for some material changes to universe constituents and cause some substantial rotations out of the stock. The mid-cap growth universe has PLTR with over an 8% bench weight, posing an extreme challenge for active managers. But they can all sell immediately near the end-June rebalance, and large cap. managers will now be forced to do an assessment of PLTR's of 73x EV-to-forecasted sales multiple. Hence, we focus on the context around PLTR's valuation in today's research.

**Valuation context:** We searched the top 2000 US stocks with greater than \$50 million in revenue (excluding Financials) that ever traded above 70x EV-to-forecasted sales since that data existed in 2000. This has happened fourteen times since then, though five were Biotechnology companies that were substantially smaller. PLTR is the first one to get to this level since Microstrategy (Ticker: MSTR) in 2024. Even 30x is rare: Forget 70x, it is quite unusual for a company's valuation to first ascend to a multiple greater than 30x EV-to-forecasted sales. During the end of TMT bubble in the Fall of 2000, and in the post-COVID zero interest rate environment are the periods where this most frequently occurred. This happened three times in 2024, with Microstrategy (Ticker: MSTR), Soundhound (Ticker: SOUN), and Astera Labs (Ticker: ALAB) all cracking the list. Today, PLTR is the second most expensive non-Biotechnology company with above \$50 million in revenue among the top 2000 equities. MSTR, as a “bitcoin treasury company” is the only stock more expensive. After PLTR, the next most expensive stock is 64% cheaper!

## RESEARCH SUMMARY AND INVESTMENT CONCLUSION

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**Fundamental Context:** The implied growth rate of this valuation level is over 40% per year for a decade. No company has ever grown from this level of revenue that fast in the last quarter century, and only three companies from smaller levels – AMZN from 1997-2007, TSLA from 2012-2022, and META from 2010-2020.

**TMT bubble:** To study what happened to other companies, we looked at the five most expensive companies on EV-to-sales (we used trailing since forward sales wasn't widely populated until 10/2000). All of these examples occurred post the TMT bubble. These stocks were Ariba (Ticker: ARB), Brocade (Ticker: BRCD), Juniper (Ticker: JNPR), Versign (Ticker: VRSN), and Tibco Software (Ticker: TIBX). These stocks all saw massive multiple contraction over the subsequent two years.

**Distribution of multiples and returns a year later:** The median company that first hits a multiple above 30x EV-to-forecasted sales trades at only 18x a year later, and averages 22.5% relative-to-S&P500 underperformance a year later. Being this expensive translates to poor subsequent returns.

**Compared to today's companies:** 80 stocks are forecasted to grow faster than PLTR over the next 12 months, yet it is three times as expensive on EV-to-forecasted sales as the next most expensive company. PLTR might be fundamentally awesome, we don't know. **However, we are not aware of a company that has grown fast enough to justify this valuation. We know other stocks from or even near this valuation level have averaged dramatic subsequent multiple contraction and underperformance, and that a rotation is coming out of one universe where EVERYONE will happily sell it, into another universe where managers will not be as forced to hold it.**

**CONCLUSION: Sell it now and short it near June 30<sup>th</sup>, unless you are confident that it will grow faster and longer than any company has grown ever.**

# PALANTIR IS ONE OF THE MOST EXPENSIVE STOCKS EVER

We searched the top 2000 US stocks with greater than \$50 million in revenue (excluding Financials) that ever traded above 70x EV-to-forecasted sales since that data existed in 2000. This has happened fourteen times since then, though five were Biotechnology companies that were substantially smaller. PLTR is the first to get to this level since Microstrategy (Ticker: MSTR) in 2024.

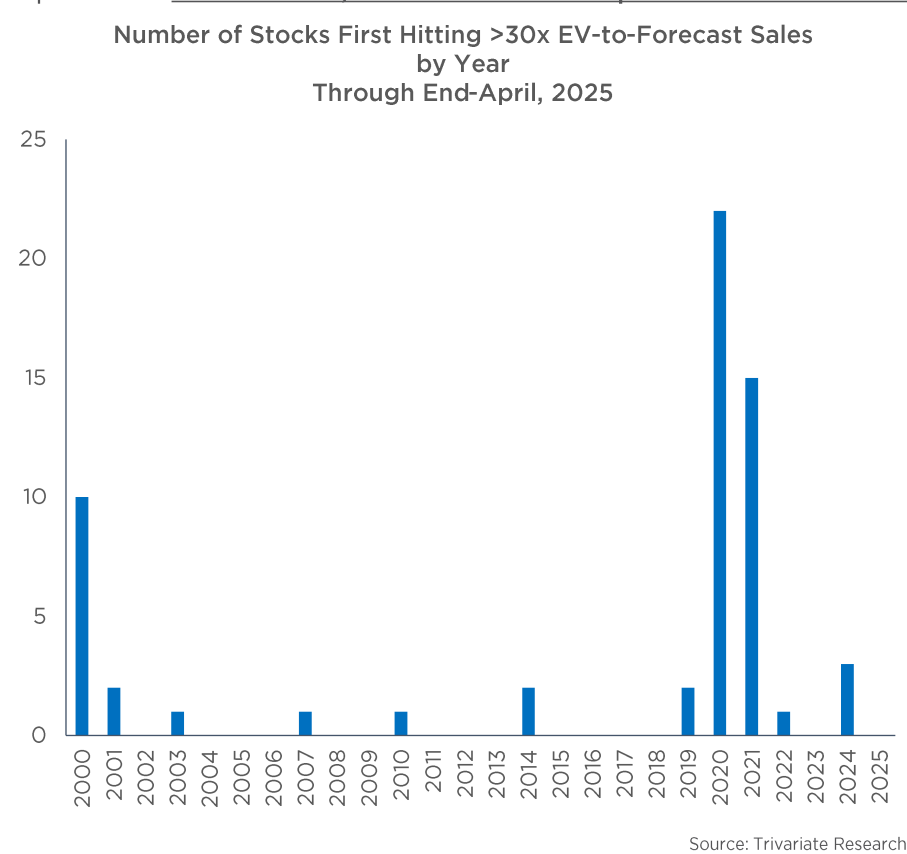
**Stocks Ever First Trading >70x EV-to-Forecast Sales**  
**Top 2k US Equities, Revenue >\$50mm, Ex-Financials**  
**End-October, 2000 to May 23<sup>rd</sup>, 2025**

Month Stock First Got to 70x	Ticker	Company	Industry	Market Cap. (US Bil.) At Time When First >70x Forward Sales	Forecast Revenue	EV-to-Forecast Sales
4/30/2025	PLTR	Palantir Technologies Inc.	Software	279.48	3,756	73.1x
10/31/2024	MSTR	MicroStrategy Incorporated	Software	49.55	477	112.7x
8/31/2023	ROIV	Roivant Sciences Ltd.	Biotechnology	8.93	119	70.9x
10/29/2021	NET	Cloudflare, Inc.	IT Services	60.84	842	71.6x
8/31/2021	BBIO	BridgeBio Pharma, Inc.	Biotechnology	7.50	109	74.3x
1/29/2021	FCEL	FuelCell Energy, Inc.	Electrical Equipment	6.69	89	76.8x
1/29/2021	PLUG	Plug Power Inc.	Electrical Equipment	31.41	445	71.2x
7/31/2020	XLRN	Accelaron Pharma Inc.	Biotechnology	5.90	77	71.8x
2/28/2020	MRNA	Moderna, Inc.	Biotechnology	9.56	87	98.1x
2/28/2019	BLUE	bluebird bio, Inc.	Biotechnology	8.53	59	123.3x
6/30/2017	ALNY	Anylam Pharmaceuticals, Inc.	Biotechnology	7.30	82	83.7x
5/30/2014	LNG	Cheniere Energy, Inc.	Oil, Gas & Consumable Fuels	16.20	269	91.0x
7/30/2010	CMVT	Comverse Technology Inc.	Communications Equipment	1.52	1,623	192.9x
8/29/2003	AET	Aetna Inc.	Health Care Providers & Services	8.77	18,509	70.2x

Source: Trivariate Research

# PLTR TRADES AT 73X EV-TO-FORECASTED SALES

Forget 70x, it is actually quite rare for a company’s valuation to first ascend to a multiple in excess of 30x EV-to-forecasted sales. In fact (left), there are several years where this never happens. During the end of TMT bubble in the Fall of 2000, and the post-COVID zero interest rate environment we saw the most occurrences. This happened three times in 2024, with Microstrategy (Ticker: MSTR), Soundhound (Ticker: SOUN), and Astera Labs (Ticker: ALAB) all cracking the list. Having AI or cryptocurrency are responsible for all three high valuation levels. Today (right), PLTR is the second most expensive non-Biotechnology company with above \$50 million in revenue among the top 2000 equities. MSTR, as a “bitcoin treasury company” is the only one more expensive. After PLTR, the next most expensive stock is 64% cheaper!



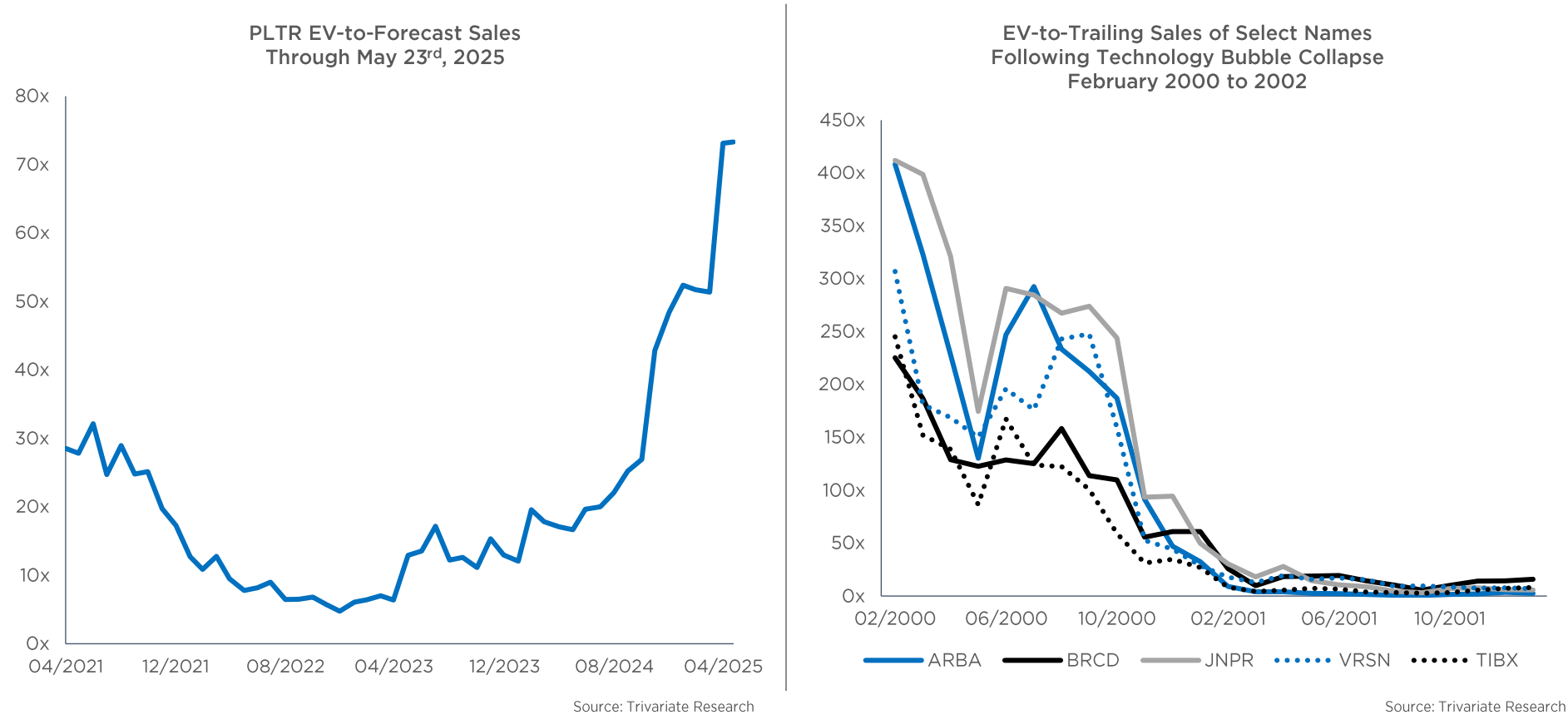
Most Expensive Stocks on EV-to-Forecast Sales  
Top 2k US Equities, Revenue >\$50mm, Ex-Financials & Biotech.  
As of May 23<sup>rd</sup>, 2025

Ticker	Company	Market Cap. (US \$Bn.)	EV-to-Forecast Sales
MSTR	MicroStrategy Incorporated	101.03	243x
PLTR	Palantir Technologies Inc.	291.00	73x
NET	Cloudflare, Inc.	54.78	26x
RUM	Rumble Inc.	3.10	25x
CRWD	CrowdStrike Holdings, Inc.	113.48	23x
DUOL	Duolingo, Inc.	23.65	23x
SOUN	SoundHound AI, Inc.	3.85	22x
APP	AppLovin Corporation	119.89	21x
AXON	Axon Enterprise, Inc.	56.94	21x
ALAB	Astera Labs, Inc.	15.60	21x

Source: Trivariate Research

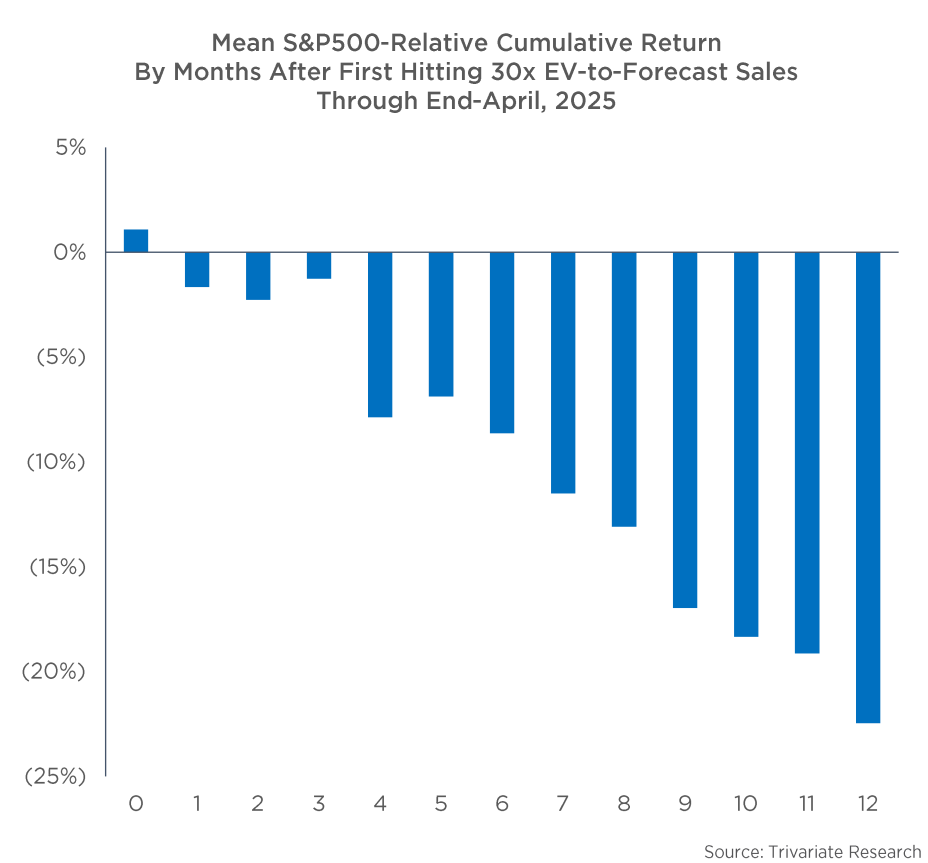
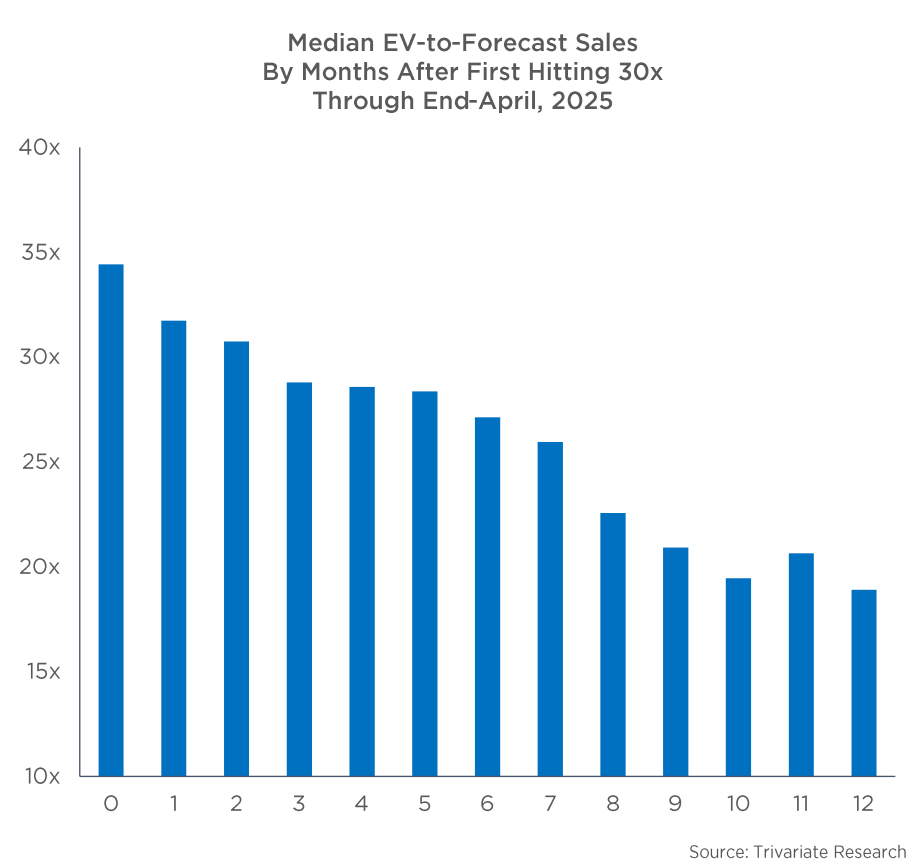
# COMPARABLE COMPANIES ALL SAW MASSIVE MULTIPLE CONTRACTION

The elevation of PLTR to above 70x EV-to-forecasted sales has been sharp, with most of the multiple expansion in the last nine months (left). To study what happened to other companies, we looked at the five most expensive companies on EV-to-sales (we used trailing since forward sales wasn't widely populated until 10/2000). These stocks were Ariba (Ticker: ARB), Brocade (Ticker: BRCD), Juniper (Ticker: JNPR), Versign (Ticker: VRSN), and Tibco Software (Ticker: TIBX). These stocks all saw massive multiple contraction over the subsequent two years (right).



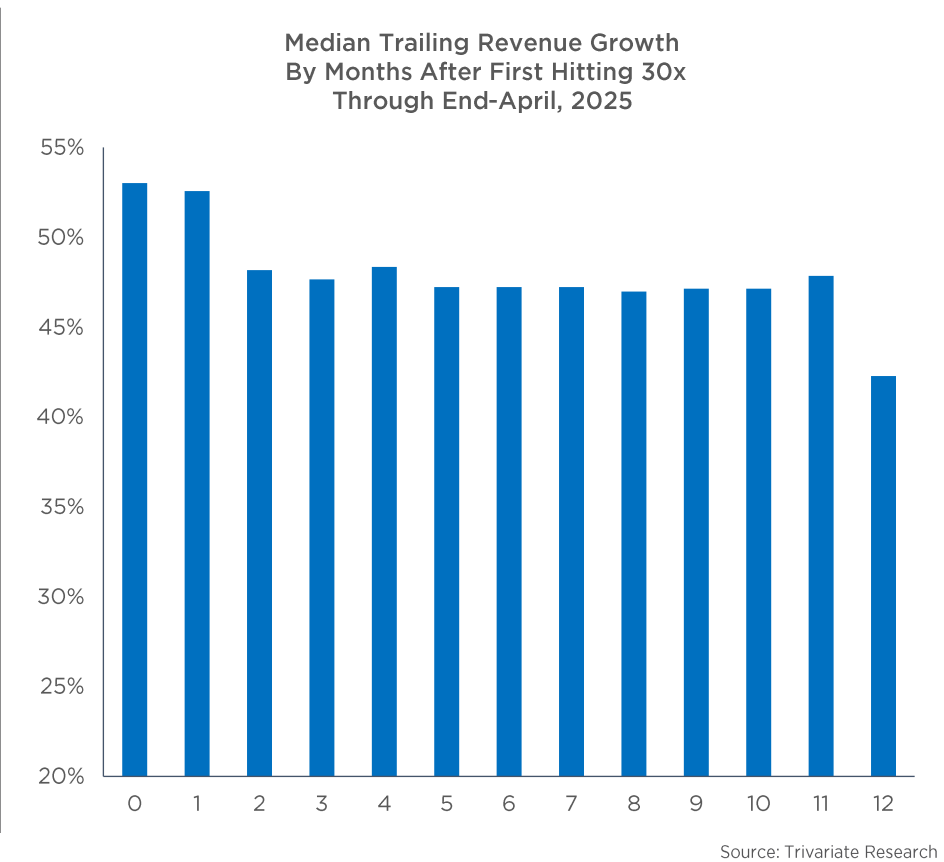
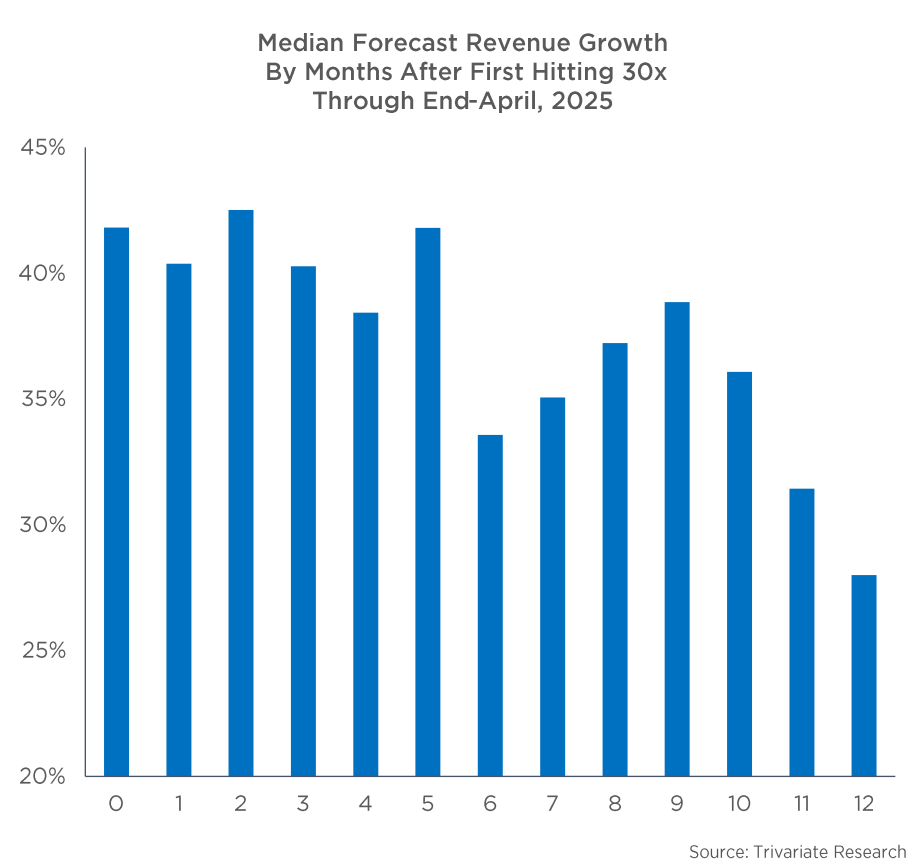
# MULTIPLE CONTRACTION AND UNDERPERFORMANCE ARE LIKELY

In fact, the median company that first hits a multiple above 30x EV-to-forecasted sales trades at only 18x a year later (left), and averages 22.5% relative-to-S&P500 underperformance a year later (right).



# THE MEDIAN COMPANY AT 30X EV-TO-SALES GROWS 28%

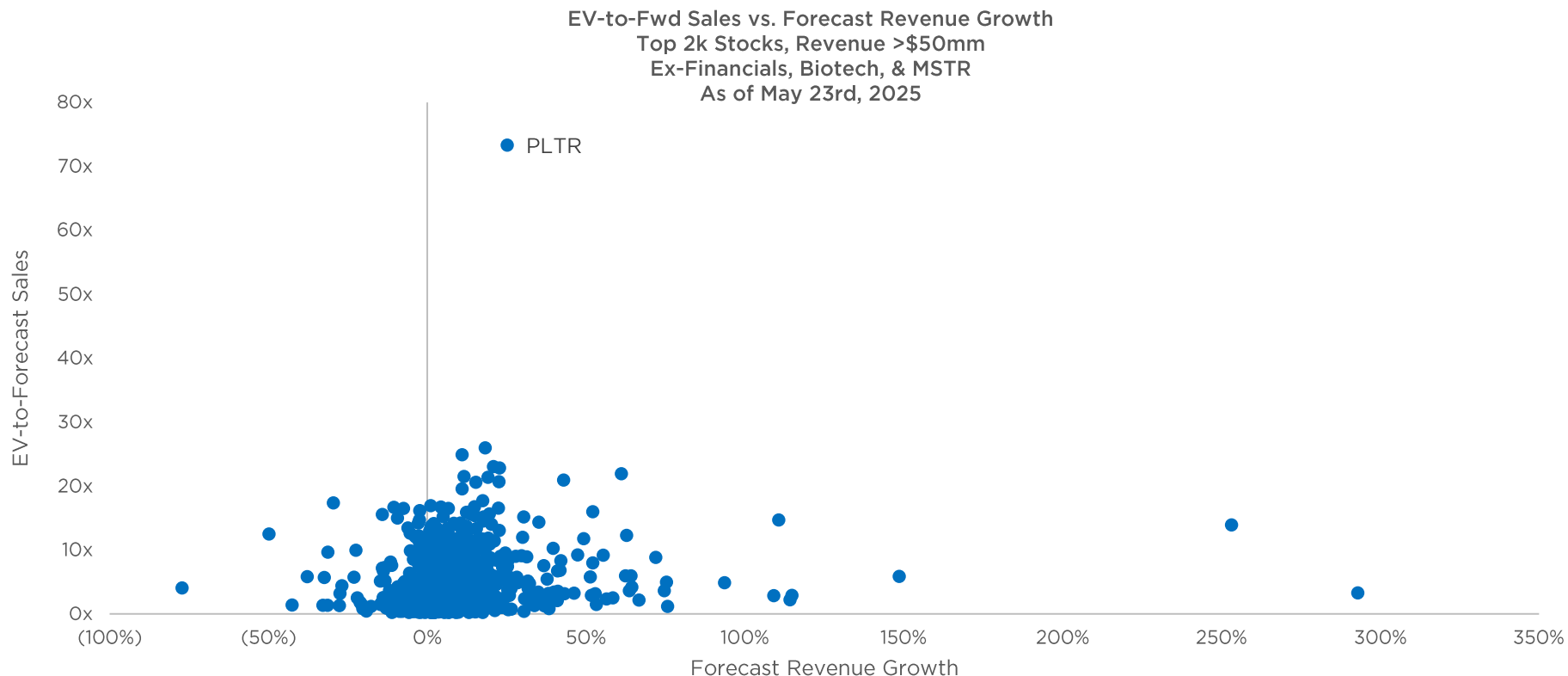
A year after first hitting 30x Ev-to-forecasted sales, the median company is projected to grow 28% over the next 12 months (left), after just growing over 45% (right) over the previous year (right). The implied growth rates to justify these valuation levels is well over 40% per year, which has never been done by a company this large in our database.





## 80 STOCKS GROW FASTER THAN PLTR, NONE ARE MORE EXPENSIVE

80 stocks are forecasted to grow faster than PLTR over the next 12 months, yet it is 3x as expensive on EV-to-forecasted sales as the next most expensive company (excluding MSTR). PLTR might be fundamentally awesome, we don't know. But we do know that no company has grown fast enough to justify this valuation and that MANY companies are forecasted to grow faster according to the consensus expectations. For large cap portfolio managers who are going to do new work on this before it hits their index, it is hard to imagine this looks attractive.



Source: Trivariate Research

# DISCLOSURES

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