

Secretive, never profitable Palantir makes market debut

30 September 2020, by Frank Bajak



In this Thursday, March 8, 2012, file photo, Clarium Capital President Peter Thiel speaks during his keynote speech at the StartOut LGBT Entrepreneurship Awards in San Francisco. Seventeen years after it was born with the help of CIA seed money, Palantir Technologies is finally going public. Thiel, the iconoclastic entrepreneur and PayPal co-founder, holds the largest chunk of Palantir stock. (AP Photo/Ben Margot, File)

Seventeen years after it was born with the help of CIA seed money, the data-mining outfit Palantir Technologies is finally going public in the biggest Wall Street tech offering since last year's debut of Slack and Uber.

Never profitable and dogged by ethical objections for assisting in the Trump administration's deportation crackdown, Palantir forged ahead Wednesday with a direct listing of its stock, gaining 31% in its first trading day.

Rather than selling newly minted shares to raise money; Palantir listed existed shares for public trading. After a delay, trading began after noon and

the stock closed at \$9.50 after reaching a peak of \$11.42.

The low-key stock strategy was in character for a secretive company long reliant on spies, cops and the military as customers—and whose founders are keeping voting control of the company.

The big question for both investors and company management: Can Palantir successfully transition from a business built on the costly handholding of government customers to serving corporate customers at scale? The company is a hybrid provider of software and consulting services that often embeds its own engineers with clients.

Analysts say its future depends on selling multinationals on its tools for gathering disparate data from an ever-expanding data universe and using artificial-intelligence technology to find previously undetectable patterns. Those can theoretically guide strategic decisions and identify new markets much as they have aided in tracking terrorists and sorting military intelligence.

The company sets itself apart from most U.S. technology providers, and just moved its headquarters to Denver from Silicon Valley. Palantir colors itself patriotic and belittles other tech firms that won't unquestionably support U.S. dominance in war-fighting and intelligence.

"Our software is used to target terrorists and to keep soldiers safe," CEO Alex Karp wrote in a letter accompanying Palantir's offering prospectus. While Karp acknowledged the ethical challenge of building software that "enables more effective surveillance by the state," Palantir's prospectus touts its work helping U.S. soldiers counter roadside bombings and fight the Islamic State group.



In this Wednesday, May 15, 2019, file photo, Palantir CEO Alex Karp arrives for the Tech for Good summit in Paris. Seventeen years after it was born with the help of CIA seed money, Palantir Technologies is finally going public. (AP Photo/Thibault Camus, File)

But investors also have to reckon with the Peter Thiel factor.

The iconoclastic entrepreneur and PayPal co-founder endorsed President Donald Trump in 2016, worked on his transition team and holds the largest chunk of Palantir stock. Thiel already exerts tremendous power from the board of Facebook, which dominates global media and seeks to create a digital currency.

In its [IPO prospectus](#), Palantir paints a dark picture of faltering government agencies and institutions in danger of collapse and ripe for rescue by a "central operating system" forged under Thiel's auspices. As the offering is structured, Thiel will be the dominant voice among the Palantir co-founders who will retain voting control.

"Is that someone who you want deciding how a component of the (national) security apparatus is designed?" asked New York University business professor [Scott Galloway](#). "If you believe that power corrupts and checks and balances are a good idea, this is just from the get-go a really bad idea."

Earlier in September, [BuzzFeed reported](#) that Thiel hosted a known [white nationalist, Kevin DeAnna](#), at

a 2016 dinner party, citing emails it obtained and published whose authors refused to talk to the online news outlet. Thiel declined through a spokesman to discuss the report with The Associated Press. Critics say he shares the blame for Facebook's incomplete removal of toxic disinformation disseminated by the pro-Trump far-right fringe.

Then there are Palantir's fundamentals, which Galloway considers lousy. The company has just 125 customers in 150 countries, including Airbus, Merck, Credit Suisse and the Danish National Police. Slightly less than half its 2019 revenues were from government agencies, and three clients—which Palantir did not name—accounted for almost a third of revenues.

"They're massively unprofitable and they've never been able to figure it out," Galloway said, noting that it took Google three years to earn a profit, and Amazon seven. Over a much longer span, Palantir has accumulated \$3.8 billion in losses, raised about \$3 billion and listed \$200 million in outstanding debt as of July 31.

Palantir, named for the mystical all-seeing stones from Tolkien's "Lord of The Rings," has recently been deepening its relationship with Uncle Sam, including winning a modest contract early in the COVID-19 pandemic for helping the White House gather data on the virus' impact.



In this photo provided by the New York Stock Exchange, traders, foreground center, gather at a post on the NYSE

trading floor during the direct listing of Palantir Technologies, Wednesday, Sept. 30, 2020. Shares of data-mining company Palantir jumped 47% to \$10.67 on their first day of trading. The company was born 17 years ago with the help of CIA seed money. Palantir isn't selling new shares to raise money. Instead, it's listing existing shares for public trading. (NYSE Photo/Courtney Crow via AP)

Senior emerging technology analyst Brendan Burke of Pitchbook says he isn't worried that Thiel's association with Trump will hurt the company if Trump loses the election.

"The political connections don't appear to be the main driver of their recent substantial contract wins," he said, although he noted that government contracts can be more volatile than corporate ones, where Palantir's foothold is less firm.

Palantir offers two software platforms. Foundry is designed to link disparate and largely incompatible data sources into a central operating system. It's the company's primary hope for broadening its business.

An earlier product, Gotham, has been used by defense and intelligence analysts and police departments to identify patterns deep within datasets. But the value of "predictive policing" tools developed with the platform have been questioned for their potential to unfairly target people of color. The New Orleans and New York City police departments have used it.

[A 2017 research paper](#) by University of Texas sociologist Sarah Brayne, who studied the Los Angeles Police Department's use of Gotham, found the software could lead to a proliferation of unregulated personal data collected by police from commercial and law enforcement databases.

On Monday, Amnesty International issued a [briefing](#) that says Palantir is failing to conduct human rights due diligence around its contracts with Immigration and Customs Enforcement, calling it "deeply ironic" that the company crows about its determination not to work with regimes like China that abuse human rights.

Palantir's ICE contracts involve the maintenance and improvement of two tools used in deportation raids, court records and federal documents show. One is web-based Falcon, for which Palantir enhanced data accessible to investigators "involving the illegal movement of people into, within, and out of the United States," according to documents obtained by the nonprofit Electronic Privacy Information Center in a freedom-of-information request. The other is the Integrated Case Management system.

Palantir has acknowledged in its SEC filing that "unfavorable coverage in the media" and from social activists could hurt its business. It also says its contractual obligations might prevent it from being able to defend its actions publicly, although it recently named a former Wall Street Journal reporter to its board.

Negative publicity over ICE contracts may also have hurt company recruitment on college campuses.

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