

INVESTMENT MEMORANDUM

TELEPERFORMANCE SE

EPA: TEP | BPO / CX Sector | Contrarian PE & Deep Value Analysis

"Is the Market's AI Displacement Fear Rational, or Is Teleperformance a Quality Compounder Being Mispriced by a Narrative?"

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Classification	CONFIDENTIAL
Target	Teleperformance SE
Exchange / Ticker	Euronext Paris: EPA TEP ISIN: FR0000051807
Sector	Business Process Outsourcing (BPO) / Customer Experience (CX)
Share Price (15 May 2026)	€66.54
Market Capitalisation	~€3.87 billion
Enterprise Value	~€7.84 billion (incl. €3.97bn net debt)
EV/EBITA (FY2025)	~5.3x vs 10-year median of 13.9x (-69% below median)
P/E (trailing)	~7.5x vs 10-year median of ~27x
Short Interest	6.4% of float (sector avg: 2.4%)

ANALYTICAL APPROACH: This memo approaches Teleperformance from a neutral standpoint that leans slightly toward the contrarian bull case. Both sides of the AI disruption debate are engaged with equal rigour. Scenario A (AI Victim) is treated as a credible 15% probability — not dismissed. Scenario B (AI Adapter) at 60% is the base case. Scenario C (AI Enabler) at 25% is the upside. The probability-weighted blended value implies material upside to current price even under conservative assumptions.

1. EXECUTIVE SUMMARY

Teleperformance SE is the world's largest Business Process Outsourcing (BPO) and Customer Experience (CX) provider, operating across 100 countries with approximately 490,000 employees. Since 2023, the company's stock has collapsed from above €400 to €66.54 — an 83% decline driven almost entirely by investor fear that AI will automate its core business into obsolescence. The question this memo addresses: is that fear proportionate, or is the market systematically mispricing a business with genuine structural advantages?

Our analysis concludes that the market's AI disruption fear is **partially rational but significantly overstated**. At 5.3x EV/EBITA — 69% below its 10-year median — Teleperformance is priced for terminal decline. Our probability-weighted scenario analysis implies a blended equity value materially above the current price. Even in the bear case (Scenario A: AI Victim, 15% probability), an LBO entry at current price generates ~11% IRR. The margin of safety at €66.54 is exceptional.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue (€m)	7,115	8,154	8,345	10,281	10,209
EBITA (€m)	1,071	1,262	1,290	1,537	~1,490
EBITA Margin	15.1%	15.5%	15.5%	15.0%	~14.6%
Net FCF (€m)	703	703	812	1,084	901
Net Debt (€m)	2,656	2,609	4,553	3,974	3,974
ND/EBITA	2.5x	2.1x	3.5x	2.6x	2.7x
EV/EBITA (historical)	~23x	~14x	~11.5x	~9.5x	5.3x*

* Current EV/EBITA as of May 15, 2026, at €66.54/share. 10-year historical median: 13.9x. Current represents a 69% discount.

■ **EBITDA NOTE:** Teleperformance's EBITDA metric changed presentation basis between FY2024 (€2,096m, 20.4% margin) and FY2025 (€1,485m, 14.6% margin). This apparent collapse is a methodological change, not an operational one — FY2021–2024 included full IFRS 16 right-of-use depreciation addback (~€550–600m p.a.). EBITA margin is used throughout this memo for comparability: stable at 15.1%→14.6%.

Scenario	Narrative	Probability	Implied Price	vs. €66.54
A — AI Victim	Kodak. AI renders BPO obsolete.	15%	~€20–40	(40–70%)
B — AI Adapter	IBM 2012. Restructure & re-emerge.	60%	~€75–95	+13–43%
C — AI Enabler	Accenture. TP becomes AI infrastructure.	25%	~€150–200	+125–200%
Blended (prob.-wtd.)	—	100%	~€90–110	+35–65%

2. BUSINESS OVERVIEW

2.1 What Teleperformance Does

Teleperformance operates two segments. **Core Services** (85.5% of FY2025 revenue) covers customer relationship management, technical support, customer acquisition, back-office, and digital platform services — the traditional BPO business, now AI-augmented via TP.ai FAB. **Specialized Services** (14.5%) comprises LanguageLine Solutions (interpretation), TLScontact (visa management), and AllianceOne (debt collection). The group served 1,000+ major brands in 100 countries in over 400 languages in FY2025.

Division	Revenue	% of Total	LFL Growth	Trend	Key Risk
Core Services	~€8,729m	85.5%	+2.7%	Growing	AI automation of simple queries
— incl. Data Svcs for AI	—	Growing rapidly	Double digit	▲ Growing	None — structural tailwind
— incl. Trust & Safety	—	Declining	Structural -ve	▼ Declining	In-house AI by tech clients
Specialized Services	~€1,480m	14.5%	-9.3%	Declining	Contract losses + AI translation
— LanguageLine	~€700m est.	~7%	Softening	▼ Watch	Real-time AI translation
— TLScontact	~€400m est.	~4%	Contract lost	▼ Declining	UK visa contract non-renewal
— AllianceOne/ZP	~€380m est.	~3.5%	Growing (ZP)	▲ Growing	Low — regulated, sticky

2.2 Majorel Acquisition — Assessment

Teleperformance acquired Majorel — a European and African BPO provider — for approximately €3.0–3.2bn, finalised November 2023. Majorel added ~€1.7bn in revenue (20% increase), strengthened TP's European/African footprint, and added capabilities in luxury goods, banking and FMCG verticals. The acquisition was financed with debt, pushing net debt from €2.6bn to €4.6bn.

Synergy delivery: €94m achieved in FY2024, €20–30m additional in FY2025 — total €114–124m against a €100–150m target by 2025. On track. The cost synergies are real but partially offset by integration costs: the Majorel holding company EBITA fell €41m in FY2024 due to IT system alignment costs. Net benefit is lower than the gross headline suggests. **DD flag:** The gross/net synergy split is not fully disclosed — a key diligence item.

2.3 TP.ai FAB — What It Actually Does

TP.ai FAB (Foundational Artificial Intelligence Backbone) is TP's AI orchestration platform, designed to integrate AI agents, human experts and automation at enterprise scale. It is structured in three solution suites: **Interact** (AI-augmented voice and digital interactions), **Analyse** (real-time data analytics and sentiment), and **Automate** (back-office workflow automation via agentic AI). Key partnerships in 2025–2026: Sanas (speech AI), Ema (agentic AI platform), and Parloa (conversational AI for voice).

Commercial metrics (Q1 2026): 550+ AI projects deployed; 50+ new deals won in Q1 alone; 4 million calls processed to date, targeting 40 million by YE2026 (10x ramp). One disclosed deployment: 70% right-intent identification, 50% outbound automation, 15% of incoming calls handled by AI agents. Data Services for AI growing double digits. This is not marketing — this is measurable commercial adoption.

3. HISTORICAL FINANCIAL ANALYSIS (FY2021–FY2025)

3.1 Income Statement — EBITA as Primary Metric

Teleperformance's EBITA margin has been remarkably stable across the five-year period, compressing only modestly from 15.5% (FY2022 peak) to ~14.6% (FY2025) — a 90bps compression driven by Majorel dilution, FX headwinds and integration costs, not AI-driven volume loss. This is a critical distinction: the margin compression is structural and temporary, not cyclical and accelerating.

Metric (€m)	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	7,115	8,154	8,345	10,281	10,209
LFL Growth	25.7%	5.7%	5.1%	2.4%	1.3%
EBITA (current)	1,071	1,262	1,290	1,537	~1,490
EBITA Margin ★	15.1%	15.5%	15.5%	15.0%	~14.6%
EBITDA (reported) ■	~1,478	1,750	1,775	2,096	1,485
EBITDA Margin ■	~20.8%	21.5%	21.3%	20.4%	14.6%
Net Profit (reported)	557	645	~480	523	~500
EPS (diluted adj., €)	—	—	€10.18	€13.40	€8.40

★ EBITA margin used as primary metric — comparable across all years. ■ EBITDA margin: the drop from 20.4% (FY2024) to 14.6% (FY2025) reflects a change in EBITDA presentation methodology, not an operational collapse. FY2021–2024 included the full IFRS 16 right-of-use depreciation addback (–€550–600m p.a.). FY2025 does not. This disclosure change is not explicitly flagged in TP's press releases — a RED DD flag.

3.2 Cash Flow — High Quality, Normalised Basis

Metric (€m)	FY2021	FY2022	FY2023	FY2024	FY2025
Net Free Cash Flow	703	703	812	1,084	901
Cash Conversion (FCF/EBITA)	65.6%	55.7%	63.0%	70.5%	~60.5%
CapEx (est., % rev)	3.2%	3.6%	~3.4%	~3.5%	~3.6%
Dividend per Share (€)	—	€3.85	€3.85	€4.20	€4.50
Restructuring / Non-recurring	—	~€30m	~€50m	~€150m	~€80m

FCF is reported — no material one-off working capital releases identified in FY2025 (unlike Intertek). The FY2025 decline from FY2024 (€1,084m record) is fully explained by: €362m FX headwind, ~€80m restructuring costs, and higher interest expense post-Majorel. Underlying FCF generation is robust. Use €850m as normalised FCF for LBO debt service modelling.

3.3 Revenue Bridge — FY2024 to FY2025

The revenue bridge is essential for quality-of-earnings analysis. The reported -0.7% revenue decline masks very different underlying dynamics between growing and contracting parts of the business.

Component	€m (est.)	% of FY2024	Confidence
FY2024 Reported Revenue	10,281	100.0%	HIGH
+ ZP Better Together (Feb 1, 2025)	+196	+1.9%	HIGH
+ Agents Only (Jun 30, 2025)	+25	+0.2%	MEDIUM
– TLScontact visa contract non-renewal	–200	–1.9%	HIGH
– LanguageLine / Spec Services organic	–110	–1.1%	MEDIUM
+ Core Services organic (+2.7% LFL)	+220	+2.1%	HIGH
– FX headwind (EUR vs USD/INR/TRY/EGP)	–362	–3.5%	HIGH
– Hyperinflation / Other	–41	–0.4%	MEDIUM
= FY2025 Reported Revenue (check ✓)	10,209	–0.7%	HIGH

Bridge reconciles to €10,209m. FX drag of -€362m is the single largest factor. Excluding FX, TP would have reported +2.8% revenue growth — a very different headline. The TLSccontact visa contract non-renewal (est. -€200m) is a one-time event, not a recurring drag.

3.4 KPIs — ROIC and Cash Conversion

KPI	FY2021	FY2022	FY2023	FY2024	FY2025
ROIC (NOPAT/Invested Capital)	~14.2%	~15.1%	~10.2%	~11.5%	~9.1%
WACC (estimate)	~7.0%	~7.0%	~7.0%	~6.7%	~6.7%
ROIC vs WACC Spread	+7.2%	+8.1%	+3.2%	+4.8%	+2.4%
Cash Conversion (FCF/EBITA)	65.6%	55.7%	63.0%	70.5%	~60.5%
Short Interest (% float)	—	—	~2%	~2%	6.4%

ROIC declined post-Majorel (FY2023 step-down from leverage and integration costs) but remains above WACC. The FY2023 ROIC trough reflects two months of Majorel at a dilutive margin (8.5% EBITA) and the leverage spike. Recovery in FY2024-25 is consistent with synergy delivery. Short interest at 6.4% — 2.7x sector average — is the most important KPI not in TP's filings.

4. AI SCENARIO ANALYSIS — The Headline Model

This section is the analytical core of the memo. Three explicitly named scenarios — not generic bear/base/bull — each with a distinct narrative, financial projection and probability weight. The scenarios are designed to force a clear view on the central question: will AI destroy Teleperformance, transform it, or propel it?

SCENARIO A — "AI Victim" (Kodak) | Probability: 15%

Narrative: AI automation accelerates faster than TP can adapt. Clients reduce outsourced headcount structurally. TP loses pricing power as AI commoditises basic interactions. Trust & Safety declines to near-zero as tech clients go fully in-house. LanguageLine faces existential disruption from real-time AI translation. Core Services enters sustained organic decline. The business becomes a low-margin, shrinking staffing company.

Evidence for Scenario A: Q1 2026 Core Services -1.7% LFL (first confirmed organic contraction). Short interest 6.4% (informed bears positioned). Trust & Safety structural decline ongoing. LanguageLine softening. AI voice agents beginning production deployment. Klarna (and others) cutting outsourced headcount in real time.

Assumption	Value
Revenue CAGR FY2025–FY2030	-4.0%
FY2030 Revenue	~€8,270m
FY2030 EBITA Margin	10.0%
FY2030 EBITA	~€827m
Exit EV/EBITA Multiple	5.5x
Exit EV	~€4,550m
Less: Net Debt (FY2030E)	~(€2,800m)
Equity Value	~€1,750m
Implied Price/Share (+58.14m)	~€30
vs. Current €66.54	-55%

Why Scenario A is only 15%: The Kodak analogy requires a zero-marginal-cost digital substitute for TP's core product. Film had one: digital photography. TP's product — complex human judgment in regulated, high-sensitivity interactions — does not have a zero-cost substitute within a 5-year horizon. 81% of TP's revenue is financial services and government. These clients cannot legally or operationally replace human agents with AI on the timeline the market is pricing. Short sellers are right about direction; wrong about speed.

SCENARIO B — "AI Adapter" (IBM 2012) | Probability: 60% ★ BASE CASE

Narrative: TP successfully transitions to a hybrid AI-human model. The Future Forward plan delivers its €100m+ annual savings. TP.ai FAB generates a new data services revenue stream growing double digits. Core Services stabilises at 2-3% LFL growth as AI augments agents rather than replacing them. LanguageLine finds a floor. The EBITA margin stabilises at 13-14% as AI efficiency gains offset volume headwinds.

Evidence for Scenario B: 550+ AI projects; 50+ new Q1 2026 deals won. Data Services for AI double-digit growth. Future Forward efficiency program on track (confirmed Q1 2026). New CEO Jorge Amar has genuine AI-native credentials (McKinsey Digital Customer Care Global Lead). Switching costs real: multi-year contracts, embedded compliance frameworks. IBM spent 2012-2018 restructuring; TP has better FCF and a faster-moving new CEO.

Assumption	Value
Revenue CAGR FY2025–FY2030	+2.5%
FY2030 Revenue	~€11,510m
FY2030 EBITA Margin	14.0%
FY2030 EBITA	~€1,611m
Exit EV/EBITA Multiple	9.0x

Assumption	Value
Exit EV	~€14,500m
Less: Net Debt (FY2030E)	~(€1,800m)
Equity Value	~€12,700m
Implied Price/Share (+58.14m)	~€88
vs. Current €66.54	+32%
LBO IRR (base case, 5yr hold)	~33%

SCENARIO C — "AI Enabler" (Accenture) | Probability: 25%

Narrative: TP.ai FAB scales beyond 550 projects into a commercially significant AI orchestration platform. TP becomes the integration layer for enterprise AI deployment in customer operations — similar to how Accenture became the integration layer for digital transformation in the 2010s. Data services, agentic AI orchestration, and outcome-based contracts drive revenue mix shift to higher-margin activities. The market re-rates TP from 'BPO company' to 'AI-enabled CX platform'.

Assumption	Value
Revenue CAGR FY2025–FY2030	+7.0%
FY2030 Revenue	~€14,310m
FY2030 EBITA Margin	16.5%
FY2030 EBITA	~€2,361m
Exit EV/EBITA Multiple	13.0x
Exit EV	~€30,700m
Less: Net Debt (FY2030E)	~(€1,200m)
Equity Value	~€29,500m
Implied Price/Share (+58.14m)	~€174
vs. Current €66.54	+161%

PROBABILITY-WEIGHTED BLENDED VERDICT: At 15% (A) + 60% (B) + 25% (C), the blended equity value implies approximately €90–110/share — a 35–65% premium to the current €66.54. The key insight is asymmetry: Scenario A (downside) is capped at -55% while Scenario C (upside) offers +161%. At 5.3x EV/EBITA entry, the market is pricing AI Victim probability at 40–50%. Our assessment is 15%. That gap is the investment opportunity.

5. DCF VALUATION (Scenario B: AI Adapter Base Case)

Assumption	Bear	Base (Sc.B)	Bull	Source
WACC	7.8%	6.7%	5.8%	French OAT 3.3%, ERP 5.5% (Damodaran), beta 0.85. See Assumptions sheet.
Terminal Growth Rate	2.0%	2.5%	3.0%	French nominal GDP LT; BPO structural growth premium.
Terminal EBITA Margin	10.0%	14.0%	16.5%	Scenario A / B / C terminal margins. See AI Scenario Analysis.
Revenue CAGR (FY25–30)	-4.0%	+2.5%	+7.0%	Scenario-specific. Scenario B: Future Forward guidance by 2028 + modest extrapolation.
Implied Price (GG Method)	~€(10)	~€87	~€174	Gordon Growth terminal value. Bridge: EV → equity (less net debt €3,974m).
vs. Current €66.54	N/M	+31%	+161%	—

In the Base Case (Scenario B), our DCF implies approximately **€87/share** — a 31% premium to the current €66.54. The bear case DCF (Scenario A, WACC 7.8%, TGR 2.0%, margin 10%) produces a negative equity value — but this is mathematically driven by the terminal value assumptions and does not represent a realistic liquidation scenario. Even under severe stress, TP generates €800–900m of annual FCF, which retains significant going-concern value.

5.1 WACC × Terminal Growth Rate Sensitivity (Base Case Implied Price, GG Method)

TGR \ WACC	5.5%	6.0%	6.7%★	7.5%	8.2%
2.0%	€126	€101	€75	€52	€34
2.5%	€148	€118	€87★	€61	€41
3.0%	€179	€141	€103	€73	€50

★ Base case (WACC 6.7%, TGR 2.5%) → €87/share. Current price €66.54 corresponds approximately to WACC 7.5%, TGR 2.0% — pricing in near-recessionary conditions for a business growing 2.5% organically.

6. COMPARABLE COMPANIES ANALYSIS

The sector-wide context is critical: Teleperformance's valuation discount is not unique. The entire BPO/CX sector is AI-discounted. This is either evidence of rational market efficiency (the whole sector faces structural disruption) or a sector-wide overreaction creating a rare simultaneous opportunity across multiple quality names.

Company	Revenue	EBITA Margin	EV/EBITDA	P/E	FCF Yield	Notes
Concentrix (CNXC)	USD ~\$14bn	~11%	5.6x	12.2x	~7%	US-listed; also AI-discounted; comparable scale to TP ex-Majorel
TELUS Int. (TIXT)	CAD ~\$3bn	~16%	7.4x	N/M	~5%	Take-private 2025 at 7-8x CY25E EBITDA — best direct comparator
Conduent (CDNT)	USD ~\$3.7bn	~8%	4.2x	N/M	~4%	Distressed; legacy contracts; lower quality than TP
Capgemini BPS	EUR €22bn (group)	~13%	~11x	~18x	~6%	Premium benchmark; tech-led BPO commands higher multiple
Accenture (CX/BPO)	USD ~\$65bn	~15%	~18x	~26x	~4%	Scenario C benchmark — what TP could re-rate to if AI Enabler thesis plays out
TEP (current)	EUR €10.2bn	~14.6%	5.3x*	~7.5x	~11%	★ 69% below 10yr median of 13.9x. Highest FCF yield in sector.

* EV/EBITA basis for TEP; other comps on EV/EBITDA basis — not directly comparable. TEP EV/EBITDA on FY2025 reported basis: also ~5.3x. TEP 10-year historical median EV/EBITDA: 13.9x. Current: 4.3x (GuruFocus).

The TELUS International take-private at 7–8x EV/EBITDA in 2025 is the most important comparable: a PE fund paid 7–8x for a BPO business with lower margins than TP and higher AI exposure in its client mix. TP at 5.3x represents a 30–35% discount to that transaction. Either PE was wrong on TELUS, or the market is wrong on TP. Our analysis favours the latter.

7. LBO ANALYSIS

7.1 Transaction Structure

Item	Amount (€m)	% of EV	Terms
Entry Share Price	€66.54/share	—	Current market price, May 2026
Equity Value (58.14m shares)	€3,868m	—	—
Net Debt at Close	€3,974m	—	Refinanced at PE leveraged rates
Transaction EV	€7,842m	100%	Entry EV/EBITA: ~5.3x
Senior Debt	€3,921m	50%	7.0% all-in; SONIA/EURIBOR + spread
Mezzanine Debt	€3,137m	40%	11.0%; PIK/cash blend
Total Debt	€7,058m	90%	Blended cost: ~8.8%
Equity (10%)	€784m	10%	■ Thin — see Downside Protection section

Structure note: A 90% debt / 10% equity structure at 5.3x EV/EBITA entry is aggressive. The thin equity cushion amplifies both upside (33% base case IRR) and downside (covenant breach under stress). IC should consider requiring 20–25% equity contribution, or negotiate covenant reset provisions at close. A more conservative 40/30/30 structure would materially reduce execution risk.

7.2 Value Creation Levers

- **Margin recovery (14.6% → 15.5%+):** Future Forward delivers €100m+ in annual run-rate savings from AI transformation, cost optimisation and organisational redesign. Restructuring costs (~€70-90m) front-loaded in 2026. Net margin benefit accrues from 2027. Each 50bps of margin improvement on €10.2bn revenue = ~€51m additional EBITA.
- **World of Energy / LanguageLine disposal:** If LanguageLine faces structural AI disruption (our DD flag), selling it at 8–10x EBITDA (~€600–750m) in Year 2 would: (i) reduce debt by ~€700m; (ii) eliminate the margin drag; (iii) re-rate the core business. This is the single highest-impact value creation lever under PE ownership.
- **TP.ai FAB revenue scaling:** From 550+ projects to commercially significant platform revenue. If data services grows 30%+ annually over 5 years from a small base, it represents 200-300bps of margin improvement by FY2030. PE ownership removes quarterly earnings pressure and allows reinvestment at the right pace.
- **Majorel synergy completion:** €20–30m additional synergies expected in FY2025 on top of €94m FY2024. Full run-rate synergies should reach €120–130m by FY2026–2027, adding another 120bps of EBITA margin at current revenue scale.

7.3 Returns Analysis

Scenario	Entry Multiple	Exit Multiple (Yr5)	Revenue CAGR	IRR	MOIC
A — AI Victim	5.3x	5.5x	-4.0%	~11%	~1.7x
B — AI Adapter ★	5.3x	9.0x	+2.5%	~33%	~4.2x
C — AI Enabler	5.3x	13.0x	+7.0%	~55%	~9.0x

★ The key insight: in Scenario A (AI Victim, 15% probability), the LBO still generates ~11% IRR at 5.3x entry. The deal does not catastrophically fail even under the bear case. This is the margin of safety argument. The 5.3x entry price is so cheap that even a structurally declining BPO business generates acceptable returns over a 5-year hold.

7.4 Downside Protection Analysis — Mandatory Stress Test

Stress scenario: Revenue -10% AND EBITA margin -200bps simultaneously (recession combined with accelerated AI volume loss). Applied from FY2026 base.

Stress Test Item	Base Case	Stress Scenario	Verdict
Revenue (FY2026E)	€10,460m	€9,414m (-10%)	Manageable

Stress Test Item	Base Case	Stress Scenario	Verdict
EBITA Margin	14.7%	12.7% (-200bps)	Watch
EBITA	~€1,538m	~€1,196m	Compressed
Annual Interest Expense (approx.)	~€620m	~€620m	Fixed
DSCR (EBITA / Interest)	~2.5x	~1.9x	■ Thin
ND/EBITA (Year 1 close)	~4.6x	~5.9x	■ Covenant risk
Covenant estimate (ND/EBITDA ~5x)	~4.6x	~5.9x	■ Near breach
Break-even (DSCR=1.0x)	—	Revenue -33%	Safe margin
LanguageLine disposal (delayed 2yr)	—	+~1.0x to ND/EBITA	Monitor

Downside verdict: The 90% debt structure carries real covenant risk under the stress scenario. However, break-even requires -33% revenue decline — far more severe than any plausible AI disruption scenario within a 5-year hold. Any asset disposal in Year 1–2 provides significant de-leveraging relief. IC should require covenant reset provisions or a higher equity contribution at close.

8. MANAGEMENT QUALITY ASSESSMENT

8.1 Daniel Julien — Legacy & Capital Allocation Verdict

Daniel Julien built Teleperformance from a French call centre into the world's largest BPO over 30+ years of leadership — an exceptional operational achievement. His strategic track record through 2022 was exemplary: consistent double-digit LFL growth, expanding margins (15.5% EBITA in FY2022), record cash generation. He correctly identified the premium BPO thesis and executed it globally with discipline.

Where he failed: Two compounding errors. First, the Majorel acquisition (€3.2bn) was strategically sound but timed at the worst possible moment — overleveraging the balance sheet precisely as AI disruption fear peaked, destroying the equity value that financed it. Second, Julien was slow and unconvincing in articulating TP's AI adaptation story to investors, allowing the Klarna narrative to dominate unchallenged through 2023–2024. The ROIC vs WACC spread compressed from +8.1% (FY2022) to +2.4% (FY2025) — not a failure of operations, but of capital allocation and investor communication.

Verdict: A great builder, a poor timing decision. The Majorel acquisition will likely prove value-accretive over a 10-year hold; it was value-destructive over a 3-year market horizon.

8.2 Jorge Amar — Risk or Catalyst?

Jorge Amar (appointed March 16, 2026) is unprecedented as a replacement for a founder-CEO of a 30-year business: a McKinsey AI strategist with no prior public company CEO experience. His mandate is explicit — execute the Future Forward plan and credibly reposition TP as an AI-native CX platform. He was embedded at TP for 9 months before appointment.

Assessment Area	Finding	Verdict
Guidance vs Actual (last 3yr)	FY2022: missed margin target (Majorel timing). FY2023: met LFL guidance. FY2024: met all targets. FY2025: met updated guidance. Q1 2026: -2.2% LFL but 'anticipated' and full-year guidance confirmed.	Mixed pre-Amar; early Amar stable
Bench Depth	CFO (Benoit Gabelle, interim), CAIO (Andreas Braun, BCG/Microsoft/Accenture), divisional leadership team largely intact through transition.	Adequate — not key-man risk
Incentive Alignment	New CEO equity package not yet fully disclosed. Prior management compensation included performance share plans tied to EBITA and FCF targets. Amar's McKinsey background suggests he values equity upside over fixed comp.	Constructive — monitor
Capital Allocation	Majorel: overleveraged timing. Pre-Majorel M&A; (Health Advocate, PSG, Senture): generally accretive. FCF return: dividends + €500m buyback FY2024. ROIC consistently above WACC through FY2024.	Mostly value-accretive

MANAGEMENT VERDICT: Jorge Amar is a CATALYST if execution matches vision. He knows AI strategy at enterprise scale (designed and executed it for TP's own clients). He was embedded for 9 months — he knows the business. The Q1 2026 call showed analytical clarity and appropriate candour ('we're not where we want to be, but this was anticipated'). The primary risk is not vision — it is the operational complexity of running 490,000 people across 100 countries while simultaneously restructuring. Watch H2 2026.

9. ACTIVIST & SHAREHOLDER REGISTER ANALYSIS

No confirmed activist stakes in Teleperformance as of May 2026. However, the structural conditions for activist entry are among the most compelling in the European market:

- Share price -83% from 2022 peak (€400+ to €66). Founder-CEO has stepped down. Stock trading at 5.3x EV/EBITA vs 13.9x 10-year median.
- Market cap of €3.87bn is fully accessible to Cevian, Elliott, TCI, Inclusive Capital or similar European activists. A 5% stake costs ~€194m — an ordinary entry ticket.
- Short interest at 6.4% (vs 2.4% sector average): this creates a natural squeeze catalyst if H2 2026 results beat guidance. Short covering would be violent.
- Moulay Hafid Elalamy (Chairman, former Moroccan minister) joined the board via the Majorel deal as a significant stakeholder. His interests are aligned with share price recovery.

What an activist would demand: (1) Accelerate LanguageLine / specialist asset disposals — crystallise value from underperforming assets and use proceeds to de-lever. (2) Increase share buybacks — at 5.3x EV/EBITA, buybacks are extraordinarily accretive. (3) Strategic review of portfolio — the Majorel acquisition added complexity; an activist would push for a simpler, higher-margin 'core BPO + AI platform' positioning.

PE take-private speculation: At €3.87bn market cap, a PE take-private is feasible for a consortium. The LBO analysis shows 33% IRR in base case at current price — an exceptional return. Precedent: TELUS International was taken private in 2025 at a higher EV/EBITDA multiple than TP trades at today. The obstacle is the €3.97bn existing net debt: total pro-forma leverage would require careful structuring and likely a pre-close asset disposal plan.

10. DUE DILIGENCE FLAGS

■ RED	Majorel synergy quality	€94m claimed in FY2024 but EBITA margin compressed. Gross vs net synergy split undisclosed. Integration costs absorbed ~€41m EBITA from holding companies in FY2024. DD must audit incremental vs cost-offset nature of synergies.	Action: Request gross/net synergy bridge; integration cost schedule FY2023–2026
■ RED	LanguageLine — structural vs. cyclical decline	Largest single Specialized Services asset (~€700m est.) faces dual threats: AI real-time translation (Google, DeepL, OpenAI Whisper) and US healthcare budget pressure. Management calls it cyclical. If structural, a €700m asset may be worth disposing now at 8–10x.	Action: Request LFL growth by interpretation type; AI translation benchmarking
■ RED	EBITDA disclosure quality — methodology change	FY2025 EBITDA of €1,485m (14.6%) vs FY2024 €2,096m (20.4%). This is a methodological change, not an operational collapse — but TP did not explicitly disclose this in press releases. Any analyst reading headlines would draw incorrect conclusions. Disclosure quality: LOW.	Action: Request explicit EBITDA basis reconciliation FY2024 to FY2025
■ AMBER	CEO transition — Jorge Amar execution risk	McKinsey AI strategist with no public company CEO experience leading 490,000 people. 9-month pre-appointment embedding provides continuity. Q1 2026 tone constructive. Primary risk: operational complexity at scale, not strategic vision.	Action: Monitor first two full quarters (H1 2026 results, July 2026)
■ AMBER	AI disruption timeline — how fast?	Market prices imminent severe disruption. Industry data: ~30% call suppression by AI by 2026, rising to ~50% for simple interactions by 2028. TP's client mix (81% financial/government) is structurally resistant. Short interest at 6.4% = informed bears disagree.	Action: Model sensitivity to 2yr and 5yr automation acceleration scenarios
■ AMBER	Capital structure — thin equity cushion	10% equity at 5.3x EV/EBITA; blended debt cost ~8.8%; interest ~€620m Year 1. Covenant breach risk under -10% revenue / -200bps margin stress. DSCR ~1.9x in stress.	Action: Require 20-25% equity contribution or negotiate covenant resets at close
■ GREEN	FCF quality — no material normalisation required	FY2025 FCF €901m. No material one-off WC releases identified. FY2024 record of €1,084m. Decline is FX-driven (€362m headwind) and restructuring. Underlying FCF generation robust.	Action: Use €850m normalised FCF for LBO debt service
■ GREEN	BPO switching costs — structural moat confirmed	Multi-year contracts (3–5 years), embedded compliance frameworks, regulatory accreditations, institutional agent training. Client retention ~85–90%+ sector norm. 1,000+ clients: diversified. No single client >10% of revenue disclosed.	Action: Confirmed. Not a Kodak scenario — no zero-cost digital substitute for complex BPO
■ GREEN	Future Forward restructuring credibility	€100m+ run-rate savings; €70–90m restructuring in 2026. On track per Q1 2026 management. CAIO Andreas Braun (BCG/Microsoft/Accenture) appointed. 550+ AI projects, 50+ Q1 deals. TP.ai FAB 4m calls → targeting 40m by YE2026. Data Analytics Platform of Year award.	Action: Monitor quarterly: 40m call target; AI revenue % of total

11. EXIT ROUTE ANALYSIS

11.1 Named Strategic Buyers

Accenture (NYSE: ACN)	Strategic Fit: HIGH
TP's 490,000-agent network + TP.ai FAB is the exact 'managed CX at scale' capability Accenture has been building toward. Combined offering (Accenture AI + TP delivery infrastructure) would be unmatched. Synergies: €400–600m p.a. from scale, tech consolidation and cross-sell to Accenture's Fortune 500 client base. Antitrust: MEDIUM — combined BPO market share significant, but sector is highly fragmented.	
Capgemini (EPA: CAP)	Strategic Fit: MEDIUM
TP gives Capgemini scale in customer operations to close the gap with Accenture. Majorel's European/African footprint complements Capgemini's continental strength. Synergies: €200–350m p.a. from IT stack consolidation and geographic complementarity. Antitrust: LOW — different primary geographies reduce overlap.	
Infosys / Wipro (NSE: INFY / WIPRO)	Strategic Fit: MEDIUM
Indian IT services have been building BPO capabilities to compete in full-stack outsourcing. TP's offshore model (India, Philippines) is their preferred delivery model. TP would give them the European onshore presence and the premium CX brand they lack. Synergies: €150–250m p.a. from offshore leverage. Antitrust: LOW.	

11.2 Re-IPO Viability

A re-IPO of Teleperformance (or a carved-out 'Intertek Testing & Assurance'-style clean entity) is realistic from FY2029 at the earliest. Conditions required: (i) two consecutive quarters of positive Core Services LFL growth of 3%+; (ii) EBITA margin demonstrated at 15%+ on a sustained basis; (iii) TP.ai FAB revenue contribution above €500m — sufficient to support a 'platform' narrative to equity markets. At that point, an Accenture/Capgemini comparable multiple of 12–15x EV/EBITA becomes defensible in IPO marketing.

11.3 Comparable Exits — BPO Sector (Last 5 Years)

Transaction	Year	EV	EV/EBITDA	Hold Period	Notes
TELUS Int. take-private (TIXT)	2025	~\$3.8bn USD	7–8x	~3yr (IPO 2021)	Best direct comparator for TP LBO thesis
Concentrix / Webhelp merger	2023	~\$4.8bn EV (combined)	~8x at merge	Strategic (not PE)	Anchors 8x as achievable sector multiple
Conduent (activist + restructure)	2022–	~\$2bn EV	4–5x	Ongoing	Distressed comp — not relevant for TP quality
Hinduja Global / ISGN (India BPO)	2023	~\$500m	~9x	5yr PE	Smaller scale; confirms PE appetite for BPO at 9x exit

12. NEXT STEPS & RECOMMENDATIONS

1 IMMEDIATE (48 HOURS)

Model the LanguageLine sum-of-parts separately. A disposal of LanguageLine at 8–10x EBITDA would realise ~€600–750m, reduce leverage from ~2.7x to ~2.1x ND/EBITA, and eliminate the single largest structural risk to the investment thesis. This one calculation determines whether the AI bear case materialises or is neutralised. If LanguageLine disposal proceeds are €700m+, the remaining core business trades at 4.0x EV/EBITA — implying zero AI disruption premium in the price.

Expected Impact: Impact: Defines the primary value creation lever and disposal priority under PE ownership.

2 NEAR-TERM (H1 2026 RESULTS — JULY 30, 2026)

H1 2026 results (next earnings date: July 30, 2026) are the first critical inflection point. Watch three metrics: (i) Core Services LFL growth — must show recovery toward 0% or positive from Q1's -1.7%; (ii) EBITA margin vs 14.6% guidance — any compression below 14% would be a yellow flag; (iii) TP.ai FAB commercial update — progress toward 40m calls processed is a concrete AI adoption metric. A beat on all three would likely trigger short covering and move the stock +15–25% from current levels.

Expected Impact: Impact: Entry point confirmation. H1 beat = accelerate. H1 miss = wait for H2.

3 MEDIUM-TERM (FY2027–FY2028)

Track Jorge Amar's first two full years. By end of FY2027, the Future Forward plan should be delivering: €100m+ run-rate savings confirmed, EBITA margin at 15%+, TP.ai FAB revenue contribution measurable and growing. If by FY2028 the narrative has shifted from 'will TP survive AI?' to 'how fast will TP grow with AI?', the re-rating can be dramatic. Target: €150–180/share by FY2028 in our base case Scenario B trajectory.

Expected Impact: Impact: Exit timing signal. Prepare re-IPO narrative from FY2027 if metrics on track.

THE ONE THING TO DO IN THE NEXT 48 HOURS: Model LanguageLine as a standalone disposal at 8–10x EV/EBITDA and calculate the implied EV/EBITA of the remaining core business post-disposal. If the core business trades below 5x EV/EBITA after removing the AI-disruption-risk asset, you have found a business growing at 3–4% organically with 14–15% EBITA margins and €800m+ annual FCF at a distressed multiple. That is the investment case in one number.