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**TECHNOLOGY**

# Providence's Karim Tabet: The Scarcity Premium Behind the IRL Economy

New investment opportunities are arising in comms, live events and education against the backdrop of AI, according to the firm's head of Europe.

The adoption of artificial intelligence is creating new opportunities in the communications sector, while the technology's ability to produce and distribute digital content at the touch of a button is putting more value on live events, Karim Tabet, senior managing director and head of Europe at Providence Equity Partners, told PE Hub.

The firm, which generally invests in North American and European businesses with enterprise values of less than $1.5 billion, also sees opportunities from AI in the education sector, its third area of focus.

Tabet also sees signs of a thaw in the backlog of private equity assets waiting to be sold, even though the exit market is still bifurcated between top assets and everything else.

At the top end, the firm had three binding bids at an executable price on a recent transaction – a "situation we haven't really seen in the past few years," said London-based Tabet. "It's a very bifurcated market where what's investable in the context of the AI disruption and high quality gets a ton of interest. And for the rest, people sit on the sideline because of a mismatch of expectation and risk assessment."

When it comes to selling "the rest," Tabet expects things to normalize because of the "huge" backlog of exits, as well as GPs' need to raise funds and LPs "putting on a lot of pressure."

But while those factors have been in

Karim Tabet, Providence Equity Partners

place for a while, "the frog is being boiled in some ways. We're seeing some people get very realistic on assets that they just have to move."

That chimes with what some of his peers are saying. The valuation gap between buyers and sellers is "slightly reducing," Astorg co-managing partner Judith Charpentier told PE Hub last week.

## Leveraging AI

In its last 10 exits, Providence increased the enterprise value of the sold asset by close to 7x on average, while it has generated an average 24 percent of NAV per year in distributions to LPs since the beginning of 2024, PE Hub understands.

Its recent exits include the sale of a stake in MasOrange, Spain's largest telecoms operator by number of customers, to telecoms giant Orange in June.

MasOrange was created in 2024 via the combination of MasMovil and Orange Spain in a 50:50 joint venture between Orange and Lorca, a bidco backed by Providence – the largest shareholder – along with Cinven and KKR.

Orange agreed to buy Lorca's stake for €4.25 billion in cash in November.

While Providence has invested for years in building broadband infrastructure, through cable and mobile players as well as traditional telcos, "that is getting to the tail end," said Tabet. "But there's still a lot of things to do on that front if you think about all of the moves to cloud, the availability of broadband in distant places through satellite, and all the services that go around that.

"That's also for AI – people think about the data centers and LLMs, but there's a lot of things in between to make sure that you can leverage AI. Our recent investment in SCG is a good example."

Providence bought what PE Hub understands to be a majority stake in SCG, a UK provider of communications, connectivity and IT services for small and medium-sized businesses, earlier this month.

AI also offers opportunities in education.

"If you think about the complexity of the world and the importance of

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knowledge and retraining, which is accelerated by AI, and you compare the inflexibility of governments that have provided most of the educational systems for years, it's very obvious that there's a huge space for the private market that can evolve very quickly to retrain professionals in the context of AI," said Tabet. "And to teach kids differently in the context of the internationalization of the workforce, but also the different needs that you have versus 25 years ago."

## Going live

Dealmakers agree that businesses fall into three buckets in the age of AI: those that will grow by supporting AI buildout and adoption, like SCG; those that will be immune to AI disruption; and those whose business models are under threat.

It's in that middle category where another area of Providence's focus falls: live events.

Providence and Searchlight Capital Partners agreed to sell Hyve, a global B2B business, to Hellman & Friedman in June.

Providence teamed up with Searchlight again in May, when the latter agreed to invest in Providence-backed CloserStill Media, another B2B events company, taking co-control with Providence. The deal gave Providence the opportunity to reinvest in the company.

The GP also has a series of investments in companies in live entertainment, including Ambassador Theatre Group and Superstruct Entertainment, a global operator of large-scale festivals and live music events.

While subscription prices for streaming services have not increased much over the past 15 years, the same cannot be said for live event ticket prices, which have grown substantially.

"The paradox of digitalization is that it makes physical scarcity even more important and more valuable," said Tabet. "There is so much content available everywhere and that increases the need to go see the real, premium thing. It's a function of digital fatigue, of desire for shared in-person experiences. That's driven the growth of the live businesses in which we've been investing for the last 15 years.

"AI is just an amplification. Digital content is available even more freely because it can be produced and distributed for almost nothing. And therefore, there's a desire to see the real thing."

## Scarcity value

Of course, one application of technology is to blend the real with the digital. Just witness the success of ABBA's Voyage concerts, where virtual avatars – dubbed 'ABBAtars' – perform to live crowds. Other artists have announced plans for similar shows.

But for Tabet: "It remains to be seen how much that will price for versus the actual live show."

Speaking of price, this year's FIFA World Cup in North America was the latest live event to draw bad press over what many spectators felt were high ticket prices. Will that put a cap on the value of some of these businesses?

"There's always the opportunity to get cheaper tickets for different events," said Tabet. "And the ticket prices are where they are because people pay them and the stadiums are full. It's a market of scarcity and this is how it's getting priced."

Despite a lot of Providence's areas of focus being "relatively immune from the uncertainties around AI," the firm still spends "a tremendous amount of time trying to get it right on that front because every business will be impacted in some way."

The GP also avoids being beholden to any sales trends.

"As a sector specialist, we constantly have strategic discussions and try to test new thematics and make sure that we don't miss the next one, rather than being driven by the companies that we see are being sold," said Tabet. "It's a totally different approach. What thematic do I want to invest behind? Are there businesses that fit that thematic? If there aren't, can I build one by starting with something small? It's not necessarily just about looking at what's available. It's looking at where you want to go."