

Private equity

Ariel launches bid to elevate minority-owned firms with \$1.3bn deal

One of the largest black-owned asset managers buys stake in provider of video communications for the deaf

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The private arm of Ariel Investments, one of the largest black-owned asset managers in the US, has bought a majority stake in a video communications provider for deaf consumers for \$1.3bn, in the first of a series of deals aimed at turning minority-owned businesses into multibillion-dollar companies.

Ariel's private equity arm is acquiring 52 per cent of Sorenson Communications from a consortium of existing investors led by Blackstone, KKR and Franklin Mutual Advisers. That group took control of the company after converting debt claims into equity as part of its 2014 restructuring. Sorenson is among the largest providers of video communication services like videophones and mobile applications for the deaf and the hard of hearing.

The acquisition marks the first control investment by Ariel since launching its private equity platform in early 2021, seeking to buy and grow "sustainable minority-owned businesses" and position them as suppliers to America's largest corporations.

Founded in 1983 by co-chief executive John Rogers, Chicago-based Ariel is America's oldest black-owned mutual fund firm, known for its value-oriented stock investments.

In 2019, Rogers elevated longtime company president Mellody Hobson as a co-CEO of the firm, which manages over \$18bn in assets. Rogers and Hobson are

among the most well-connected black executives in America.

Rogers, who served as co-chair of President Barack Obama's inaugural Committee in 2009, is a board member of McDonald's, Nike and the New York Times, while Hobson is the chair of Starbucks and a director at JPMorgan.

In the wake of the police killing of George Floyd in 2020, Ariel launched an effort, called "Project Black," to buy and build minority-owned businesses using a newly created private equity arm named Ariel Alternatives that is co-led by Leslie Brun, the founder and former chief executive of alternative investment firm Hamilton Lane, and Hobson.

The platform received initial funding from large institutions including JPMorgan, which made a \$200mn commitment to co-invest alongside its inaugural fund. The Sorenson deal came together as Ariel was launching its buyout platform last year. In early 2021, Ariel was introduced to Blackstone and by the spring of that year, it had signed a letter of intent to take control of Sorenson from existing investors, who will remain minority owners.

Brun and Hobson have previously said Project Black will target mid-sized companies with \$100mn-\$1bn in revenue, pursuing investments in sectors ranging from healthcare, media, outsourcing, manufacturing, technology, transportation and professional services. Ariel's private equity business is

expected to hold investments longer than the typical five-to-seven years, a person familiar with the matter previously told the FT.

Under Ariel's ownership, Sorenson – which generated \$837mn in revenue over the past 12 months – was expected to expand globally and strike new communications contracts with the private sector, said Jorge Rodríguez, chief executive of Sorenson, and David Posnick, a co-head of distressed investments at Blackstone Credit in an interview.

Sorenson also expects to qualify as a minority-owned business, giving it an opportunity to win new business from large corporations seeking to diversify their supply chains, and raise financing for acquisitions on preferential terms.

Rodríguez, a veteran executive in the telecom industry, was named CEO of Sorenson in January. "We will have the ability to leverage the supply chain diversity commitments of Fortune 500 companies," he said, emphasising opportunities outside its existing footprint in the US and UK.

"We're very bullish on what we can do throughout Europe," he said.