



Case Study

Arcor Laser Services, LLC



Gary Francoeur, CEO of Arcor Laser Services, LLC, located in Suffield, CT, was exhausted and overwhelmed. He used to enjoy going to work. Not anymore. Maybe it was time to sell the business and get on with his life. So, he turned to Touchstone Advisors. After studying the trajectory of the business, its growth prospects and current value, Michel Camerota, a partner at Touchstone Advisors, presented Gary with his considered advice: Don't sell.

What Michael really meant was: don't sell *now*. He says, "After looking at Arcor Laser's trajectory and growth prospects, it was clear to us that this was not the right time to sell. The price Gary would get for the business now would be insignificant compared to what he might achieve in a few years." But ramping up the company's value meant buttressing its weak points. Arcor's organization was flat, and Gary needed a robust management team to support him as CEO. Specifically, he required a strong VP of Sales, also an experienced CFO. Finally, Gary wanted to focus on his passion - Research & Development - and that required a versatile General Manager who would take day-to-day operations off Gary's shoulders.

What did Gary think of this somewhat surprising advice? According to him, "Touchstone Advisors certainly worked with me in the direction I wanted to go, and they were very understanding of what I needed to happen. They weren't pushy, like some salesmen who try to make a deal happen just for the sake of selling a company. They really saw my goals and aspirations and understood what I wanted and needed. They were patient in achieving those goals and they put in place the right steps to accomplish them. "

In The Beginning. Partnering with a colleague, Gary founded Arcor at 4 Kenny Roberts Memorial Drive, Suffield, CT in 2004 and, in 2006, he bought out his partner, assuming full ownership. A loyal customer following helped **Gary** achieve more than \$1M in gross sales in the first year of business. Soon Arcor was known for its excellence in diverse areas, from medical devices to aerospace and beyond.

Arcor was essentially a job shop and contract manufacturer for more than a decade when Gary got together with Touchstone. In turn, Touchstone acted as a catalyst in the reinvention of Arcor into a visionary innovator of proprietary products and services. After implementing a very strong management team, here are just a few of Arcor's transformational events:

- In 2017, Arcor developed a “provisional-patent” process to manufacture aerospace micro-drilled “last chance” filters at a substantially lower cost, and with 10 times faster production than the industry norm.
- Arcor signed a multi-year agreement with a global filter company to provide last-chance filter products to them.
- Arcor developed laser cutting and drilling capacity to existing 6-axis machinery for a leading OEM.

Gary notes, “Touchstone was very patient with me throughout the whole process. We were trying to put together a deal, the *right* deal, and I’ve very much enjoyed working with these folks. Along the way, it was also very educational. They provided a lot of insight into how things happen and what to expect.”

According to Steven Pappas of Touchstone, who led the transaction team, “Gary is much more than a typical CEO. He is the ‘technology visionary’ of the company. He has a passion and unique

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ability for developing laser solutions. He also has a relentless drive to create laser technologies that matter. Gary is interested in innovations that build, solve, enhance and help improve the world, and make his customers successful. This man is a special CEO - he did all the things he was supposed to do. And look at his company! It just grew and grew.”

Three Years Later. The company’s growth and improvement was remarkable. Arcor was now worth three to four times the value it had when Gary and Touchstone first met. It was now time to accomplish what Gary had approached Touchstone to do three years earlier. Arcor was brought to market in 2019 and it soon sold to a compatible strategic acquirer, Cadence Inc. a portfolio company of Kohlberg & Co. from Mount Kisco, NY, with locations in VA, RI, PA and now CT. The timing was perfect too - Kohlberg was on the lookout for add-on acquisitions for Cadence, and Arcor, now firing on all cylinders, was an excellent fit.

The Right Terms. We all know that the right terms are as important as sale price, and are sometimes a lot harder to achieve. Gary wanted two things: to take some chips off the table now

and to continue to be part of the business growth. Kohlberg and Cadence were excited to have Gary as part of their team moving forward. Now they can expand the business *together*.

A Compatible Fit. Cadence Inc., a full-service contract manufacturer, is a leading supplier of advanced products, technologies and services to medical, aerospace, automotive and industrial companies all over the world. A true specialty company, Cadence produces products that require difficult-to-manufacture, high performance components, as well as single-use products and consumable replacement parts for machinery. What Arcor brought to the table was just what Cadence wanted. Through the efforts of Touchstone Advisors, they found each other. It was a match made in acquisitions heaven.

Cadence CEO Alan Connor sees this merge with Arcor as a true “win-win” situation. He says, “The addition of Arcor’s laser expertise represents our latest investment in building a broad platform of precision technologies and supply chain services for our customers. We continue to accelerate our efforts to provide our customers with highly technical solutions to help improve their products and are extremely pleased with the industry-leading laser processing portfolio that Arcor brings to our team.”

Gary Francoeur agrees, noting, “Cadence is a great complement for our current manufacturing capabilities, and we serve similar medical device and industrial markets. The Cadence team and its resources have enabled strong opportunities for growth.”

The Bottom Line. Gary Francoeur got the sale he wanted with the specific terms he needed to make it worth his while. He says, “I would certainly recommend Touchstone to anyone who is thinking of selling their business. They are very good at what they do, very thorough, very aggressive when they have to be, and they can also pull back when you want them to. However fast or slow you want to go; they are right there with you.

About Touchstone Advisors:

Touchstone Advisors is a New England M&A firm that represents owners of privately held manufacturing, distribution, and service businesses, generally \$10 to \$100 million in revenue. The company works with owners to achieve the best sale price and terms for their clients by finding the ideal financial or strategic acquirer.

For more information:

Steve Pappas – Partner 860-669-2246 – spappas@touchstoneadvisors.com