

Successful Exits Require More Than A Great Product

Threaded Conference – Connecting Engineering AI Startups
To The Enterprise Digital Thread

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Verrilli Summary

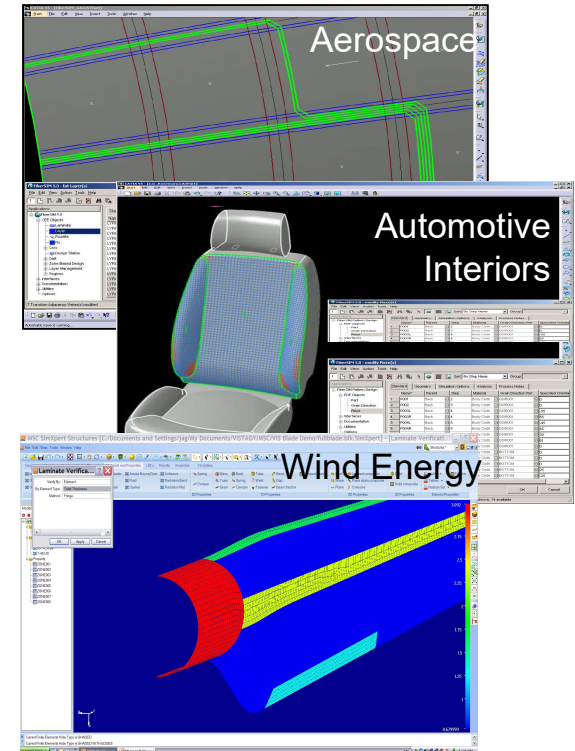


- **Bachelor's Degree and Master's Degree in Mechanical Engineering**
 - Research in Artificial Intelligence Applied to Mechanical Design
 - Undergraduate Specialization in Manufacturing
- **Software Development, Sales and Operating Experience**
 - Co-founded and grew VISTAGY from 2 to 120+ employees worldwide
 - Sold company to Siemens Automation after capital-efficient growth
 - COO – Operations in seven countries
- **Managing Partner at Next Stage Advisors**
 - Consulting and M&A advisory firm dedicated to the engineering and manufacturing software and IIoT markets
 - Managing Director with [Madison Park Group](#)
 - Managing Director with [Ascentage Advisors](#)
- **Started and Led Madison Park Group's Manufacturing & Engineering Software and IIoT M&A Practice**
 - Advise on sell-side transactions and capital-raising processes
- **Board Member/Active Advisor**
 - Paperless Parts
 - Wyebot
 - Datanomix
 - Companyon Ventures
 - Blue Cloud Ventures

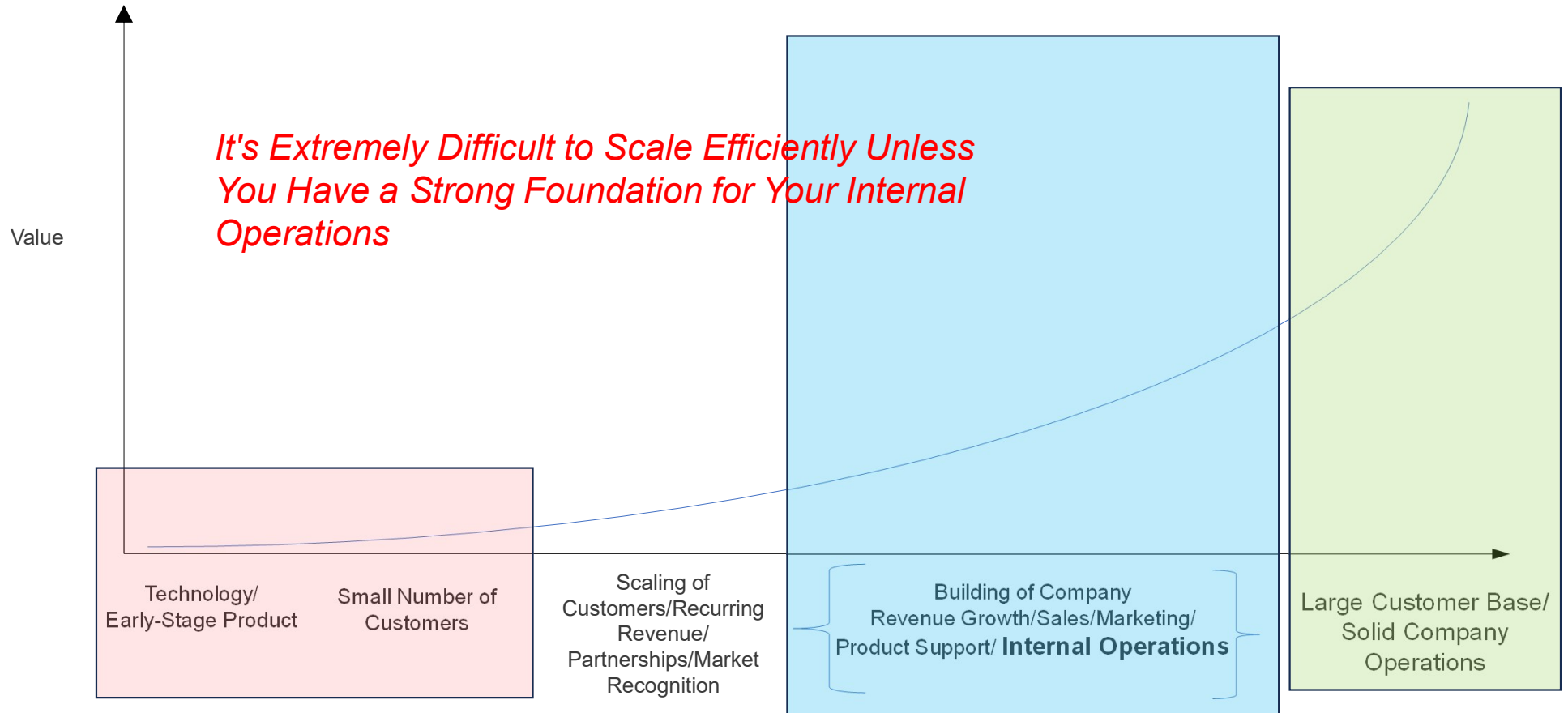
Select Transaction History

PE-Backed Romax TECHNOLOGY	Founding Team VISUAL KINEMATICS™ Automation	Founding Team TECH SOFT 3D
Strategic Sale HEXAGON	Strategic Sale TECH SOFT 3D Innovative. Dynamic. Secure.	Recapitalization Battery
Founding Team VISTAGY Engineering Solutions	Founding Team Omnify Software	VC-Backed FACTON INNOVATIVE COST MANAGEMENT
Strategic Sale SIEMENS	Strategic Sale arena	Sale to FOG Software Group shoplogix
PE-Backed arena	PE-Backed aras	Founder-Owned intellect
Financial Sale JMI GROUP	Debt Placement BAY CAPITAL INVESTMENT PARTNERS	Financial Sale STRATTAM CAPITAL

- **Specialized Engineering, Manufacturing and Simulation Software**
 - Product was embedded in the three major CAD/PLM systems
 - Focused on aerospace, automotive and wind energy markets
 - Deep Domain and Process Knowledge
- **Focused on Unique, Highly Specialized Product Offerings**
 - Composites, Automotive interiors, Aerospace assembly
- **Grew from 2 to 120+ employees worldwide**
 - Operations in seven different countries
 - 300+ customers across the world
- **Broad Partnerships and Integrations Across the Design->Manufacturing Workflow**
 - Mission critical, under the radar
- **No Outside Investors**
- **Acquired by Siemens**
 - 6+x revenue
 - Significant interest from all CAD/PLM Partners

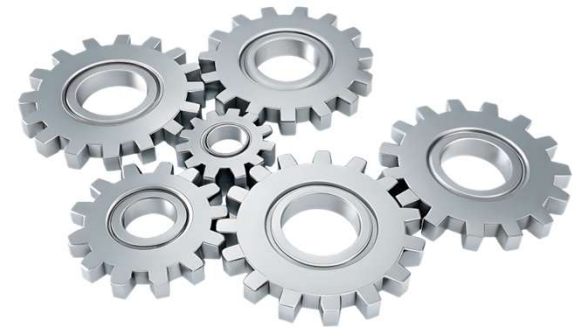


Acquisition Value



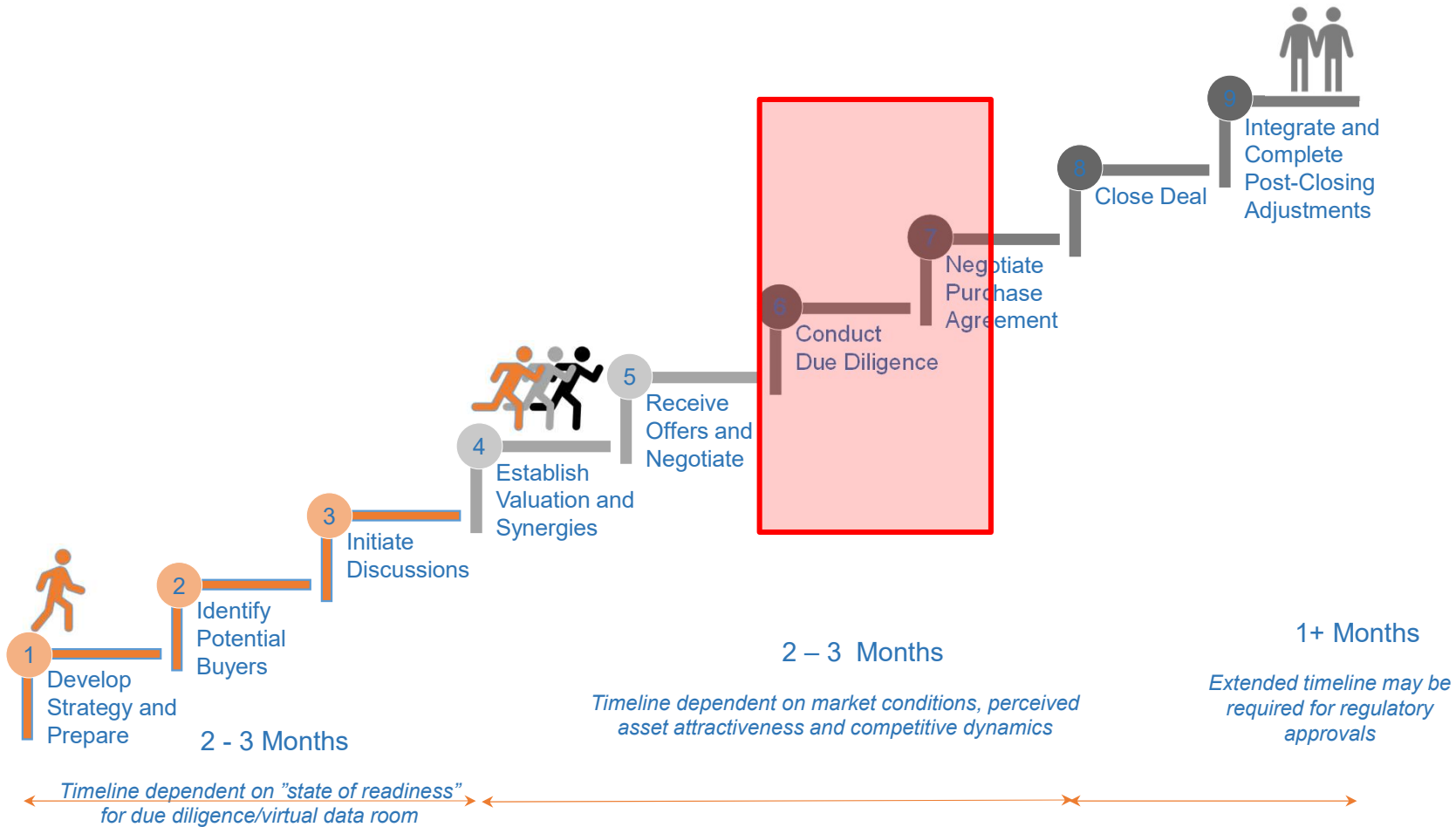
Efficient Scaling

- Most Decisions Have a Long Tail
 - “Then what?”
- How Does A Decision Affect Other Parts of the Operation
 - Alignment on overall Company success
- Executive Team Needs a 360 Degree View of the Company
 - Not to manage but to make sure decisions are in the best interest of the Company
 - One person that always has the broader long-term success of the Company in mind
 - Usually, it's not the CEO
- Growth Without Chaos Goes A Very Long Way
 - Growth At All Costs Is a Stupid Idea



It's a Machine
All the Parts Need to Work Together

Typical Acquisition Timeline



Investors/Capitalization Table

- Why / Do You Need Capital
 - Financial models provide ballpark estimates of cash need
 - Early-stage Fundraising Is Incredibly Difficult
 - True venture investing is rare
 - Early-stage investors want to invest in broad, fast-growing markets
 - Want to de-risk (de-risk) as much as possible
 - All Money Is The Same, All Investors Are Not
 - Investors that know our space and have realistic expectations
 - Are they really engrained in the ecosystem?
 - If they are asking too much about long-term revenue projections, they are not the right investor
 - Providing/Selling Equity Has Many Side Effects And Has a Long-tail
 - Many small investors are difficult to manage, unrealistic expectations
 - Institutional investors provide capital but also need to be managed
 - Stock option grants are great but be ready for - “what is the company value?”, “how much do I own?”, “when will we exit?”
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- What KPI's Are Important To Your Business & Investors – in the Long Term
 - Usual SaaS – Revenue, Retention, Client Acquisition Cost (CAC), Churn, etc.
 - Key Financial Metrics That Are Most Important Early On
 - Monthly/Annual Expenses
 - Total Revenue
 - Available Cash
 - Audited Financials
 - Most acquirers are now requiring a Quality of Earnings (QoE) Report
 - State Sales Tax
 - Working To Minimize Taxes Often Leads To Buyer Pause and/or a Retrade
 - Makes it difficult for buyer to truly assess growth and profitability
 - Often requires a proforma without “questionable items”
 - Cash-flow Is More Important Than Your Mother
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Partnerships

- Partners Are Your Most Likely Acquirer
 - Partnerships Must Be of Real Value To Both Parties
 - Almost Every Company is Willing To Be a Partner
 - The smaller party always invests and works harder than the larger party
 - Be Very Careful With Partnership Agreements, especially with investment
 - Ownership of IP
 - Assignability
 - Notice of Inbound Interest
 - Right of First Refusal
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Due Diligence By Acquirer

- Preparing For Due Diligence Starts Day One
 - Corporate documents
 - Legal contracts – partners, employees, Master Services Agreements (MSA), etc.
 - Financial reporting
 - Client contracts and invoices
 - Corporate Guidelines and Policies
 - One off arrangements and agreements are cause for acquirers to pause
 - Track Sales and Expense Details At A Granular Level
 - It's much easier to roll up than it is to deconstruct
 - You're Working To Become a Big Software Company – Behave Like One
 - After Due Diligence The Offer Price Never Goes Up
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Summary

*It May Be The Right Decision Now, But How Will
It Affect The Future*

*It's Never Too Early to Address Company
Infrastructure and Operations*
