ASIC investigating Metigy, suspected of insolvent trading

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Artificial intelligence marketing tech company Metigy collapsed owing a list of high-profile creditors more than $32 million after its founder and CEO borrowed millions of dollars of company money and spent it on luxury properties, administrator documents show.

The Australian Securities and Investments Commission revealed on Monday it had commenced an investigation into the circumstances of the collapse, and the matters identified by the administrators in their report. The regulator declined to comment further.

The documents, seen by *The Australian Financial Review,* revealed the company was suspected of trading while insolvent for a "significant period of time", since at least November 14 last year, when CEO and sole director David Fairfull signed a $7.7 million loan as lender and borrower. Administrators say in the report further investigations are needed to determine a timeline and if there is a claim against Mr Fairfull for insolvent trading.

Metigy's CEO and sole director is David Fairfull. **Dominic Lorrimer**

The administrator's report, which was lodged with ASIC, stated that Mr Fairfull had borrowed the money to "complete a personal property settlement".

While some repayments had been made, Mr Fairfull still owed $4.76 million, plus interest.
This outstanding sum resulted in freezes being put on Mr Fairfull's Mosman and Wattamolla properties by administrators.

"During the year prior to our appointment, Metigy raised capital of more than $20 million from various investors which appears to have been used to service the day-to-day trading requirements of the group entities and a
loan to the director which was used to purchase personal property assets," the administrator's report says.

The six-bedroom, five-bathroom Mosman home has waterfront views and was purchased in September last year for $10.5 million. The sprawling Wattamolla property, with a pool, tennis court and internal garden, was purchased in November for $7.7 million.

Due to falling property prices in 2022, the administrators believe both homes are now worth less than Mr Fairfull paid for them. It was estimated that Mr Fairfull had $3.76 million in equity across the homes.

"We note that the mortgages are currently in default and that the secured creditor, Pallas Capital, has now taken steps to enforce over these properties by appointment of mortgagees in possession. We have put Pallas Capital on notice that they are to sell the properties as quickly as possible for the benefit of creditors as default interest is accruing at a rate of $4188 per day," the report states.

Mr Fairfull's home that is subject to a caveat relating to Metigy, a failed AI marketing start-up. **Domain**

Mr Fairfull is not the same person as the chairman of accounting firm Hall Chadwick, who shares the name.

Mr Fairfull's homes are also being pursued by Metigy's largest creditor, Regal Funds Management, which is owed $20 million and has filed a summons in the NSW Supreme Court.

Regal has started legal action against Mr Fairfull and his wife Deborah, alleging they misappropriated the funds applied to the properties. Their company Fairfull Holdings is also named in the proceedings.

Court documents seen by the *Financial Review* indicate Regal wants trustees appointed to the properties and for them to be sold.

A directions hearing is scheduled for October 28, and a defence is yet to be filed.

Regal portfolio manager Ben McCallum declined a request for comment.

Before being placed in administration, Metigy had been fronting investors [https://www.afr.com/technology/marketing-ai-start-up-metigy-raises-20m-as-covid-helps-growth-20201118-p56fqo] earlier this year to raise more capital at a $1 billion-plus valuation.

The business was incorporated in 2017 by Mr Fairfull and Johnson Lin and provides small business clients with an AI-powered platform which can provide insights on their potential customers to improve digital marketing. According to his LinkedIn profile, Mr Lin was working as chief technology officer of Metigy when it collapsed and there are no allegations of wrongdoing involving him.

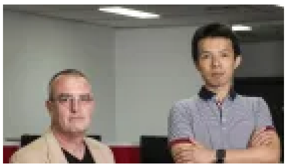
Simon Cathro and Andrew Blundell of Sydney boutique Cathro Partners were appointed administrators in late July.

The collapse caught the company's 75 staff by surprise, but it owes employees $2.6 million in unpaid wages, superannuation and other entitlements.

Other Metigy creditors include Five V Capital [https://www.afr.com/street-talk/marketing-tech-business-and-ipo-hopeful-metigy-hits-the-skids-20220801-p5b65f], Copia Investment Partners and the Australian Taxation Office.

Conservatively, administrators estimated that Metigy owed more than $32 million, up to $35 million.

They recommended that the company be wound up, stating that "liquidation will allow the liquidators to pursue various legal claims against various parties that are only available if the Companies are placed into liquidation".



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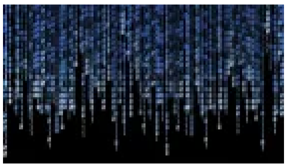

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One investor who did not buy into Metigy described it as a cautionary tale, saying the business had always refused to share detailed information with the fund.

Administrators in their report attributed the reason for the company's collapse to "poor strategic management", "under capitalisation and inability to raise additional capital", "inadequate cash flow or high cash use", "trading losses", and "unreasonable director related transactions".

The company was said to have made next to no revenue since its inception, banking only $61,120 in sales in the year to June 30, and $17,299 the prior year.

While it made limited revenue, its costs ballooned to almost $10 million in the 2022 financial year.

Creditors will vote on whether to put Metigy into liquidation this week.

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