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— **Exclusive**

# ‘Get liquid’: Early backers of start-up disaster Metigy had concerns

**Nick Bonyhady** *Technology writer*



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An investor in failed artificial intelligence start-up Metigy messaged his colleague a year before it collapsed calling it a “big risk” and said he wanted the firm to float or bring in new investors, a public examination has heard

Metigy was a Sydney-based start-up valued at up to \$1 billion that claimed to sell AI marketing software but went under last year after its chief executive forged company accounts and used its funds to buy luxury homes.



Metigy founder David Fairfull, centre, with two of the investors in the business, Darien Jagger and Jonathan Rosham. **Rhett Wyman, Cygnet Capital**

Executives at Cygnet Capital, a private investment group based in Melbourne, had put money into Metigy personally in 2019 and then introduced the company to larger backers including Regal Funds Management.

But just months after Metigy's major \$20 million capital raise

[\[https://www.afr.com/technology/marketing-ai-start-up-metigy-raises-20m-as-covid-helps-growth-20201118-p56fqo\]](https://www.afr.com/technology/marketing-ai-start-up-metigy-raises-20m-as-covid-helps-growth-20201118-p56fqo), which was announced in November 2020, one of Cygnet's leaders was nervous.

"I would like to get Metigy liquid ASAP," Cygnet co-founder Jonathan Rosham texted his business partner Darien Jagger in April 2021. In another message, he said: "I want them all liquid, please" and "That's a big risk."

"It needs a board. It needs to get liquid and has too much risk," Mr Rosham also texted.

The messages were read out in Federal Court last month by a barrister acting for Metigy's liquidators, Cathro & Partners, who are examining the collapse and any potential claims they can make for creditors.

The context in which the texts were sent is unclear but they offer an unvarnished glimpse into technology investors' thinking about their bets that is usually hidden

behind a facade of determined optimism.

Mr Jagger said he did not know why Mr Rosham thought Metigy was risky at that stage but agreed that he was concerned about his investments in unlisted businesses. “He changes his mind all the time,” Mr Jagger said of Mr Rosham in the examination.

Wanting Metigy to become liquid, Mr Jagger said, referred to floating it on the sharemarket “or have other investors be involved in it.”

Mr Rosham was not publicly examined and Cygnet declined to comment. There is no suggestion any Cygnet staff were aware of Metigy chief executive and sometime sole director David Fairfull’s wrongdoing [<https://www.afr.com/link/follow-20180101-p5dswx>], who admitted his conduct in previous examinations.

Metigy collapsed in August 2022, with the court previously hearing that senior staff at the company had got in contact with investors because they had severe concerns about its solvency. Those investors rushed to Mr Fairfull’s home, and he put the company into administration.

## Early tensions

In 2020, Cygnet had already had problems with Metigy. One of its staff messaged Mr Jagger that June to say: “I left a detailed message [with Mr Fairfull] indicating it’s now six months since we asked for financial info, and that is a problem on our end.”

Mr Fairfull later supplied that information, but has admitted that the financials he supplied to investors were false in past examinations. He did not respond to a request for comment but has previously said the millions he took from Metigy [<https://www.afr.com/link/follow-20180101-p5c0hu>] were a loan that he intended to repay, and he had made some repayments before the company went into administration.

Tensions between venture capitalists and the start-up founders they invest in over reporting, strategy and investment decisions are common but rarely reported because they tend to reflect poorly on both sides.

Mr Jagger said he and Mr Rosham had put \$750,000 each into Metigy. The liquidators said in a report last year Regal had invested \$20 million into Metigy, with millions more from other large funds. Cygnet received a percentage of those investments in return for assisting with the capital raising, Mr Jagger confirmed.

In hours of questioning, Mr Jagger described Cygnet's role as conveying investment opportunities to its contacts but trusting them to do their own due diligence. "Regal is a massive hedge fund that do their own work on their own investments," he said at one point.

## Yes Optus

Much of the diligence that Mr Jagger described Cygnet conducting was based on trusting information from Mr Fairfull. But Cygnet did speak with one of Metigy's "enterprise customers", Optus, to help verify its claims, Mr Jagger said.

He said he did not know what the Optus staff member said, and an Optus spokesman said the company "could not comment on speculation".

In March 2019, Optus announced a partnership with Metigy to let its 435,000 small and medium business customers access the start-up's software. Optus' press release billed it as a "digital strategy solution [that] delivers insights, ideas and clear recommendations" for social media marketing.

Optus' customers were promised preferential pricing from Metigy, though it is not clear whether it ultimately sold Metigy's products through the partnership. If it did, the results were small because Metigy's real revenue was low, according to its liquidators' reports.



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**Nick Bonyhady** is a technology writer for the Australian Financial Review, based in Sydney. He is a former technology editor, industrial relations and politics reporter at the Sydney Morning Herald and Age. *Connect with Nick on [Twitter](#). Email Nick at [nick.bonyhady@afrr.com](mailto:nick.bonyhady@afrr.com)*