

How AI marketing start-up Metigy took investors for a ride

Court proceedings delve into an artificial intelligence house of cards, where staff, went for months without pay even as investors believed everything was rosy.

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Early last year, the artificial intelligence marketing start-up Metigy was on fire, and its chief financial officer, Stephen Robinson, couldn't understand why his boss David Fairfull seemed to be sitting around fiddling.

The company was rapidly running out of money. With Fairfull having taken a majority of Metigy's capital for a \$7.7 million loan to buy two luxury homes, it would not last long without more capital.

But Fairfull seemed reluctant to raise cash.



Former Metigy chief executive David Fairfull leaves the Federal Court building in Sydney. **Oscar Coleman**

“We need to raise capital, so just get on and raise capital,” Robinson, the company’s former chief financial officer, recalls thinking.

What he says he did not know at the time was that Fairfull (not the David Fairfull who chairs accountancy firm Hall Chadwick) had a lot to hide. The chief executive had not told investors about the loan, as he claimed, and had been falsifying the company’s financial numbers for years. The Australian Taxation Office was chasing Metigy for about \$2 million and the NSW State Revenue Office wanted more than \$350,000. Superannuation payments to staff were missing as well.

When Robinson moved to take the capital raising into his own hands in July last year, he inadvertently triggered a chain of events that uncovered Fairfull’s lies and ended his charade [<https://www.afr.com/link/follow-20180101-p5dsfs>]. Metigy collapsed instantly.

In the Federal Court this week, Metigy executives spoke publicly for the first time about how it attained a \$1 billion valuation through Fairfull's deceptions, credulous investors and a technology bubble. And they revealed fresh details about how it failed – from claims of non-existent AI technology to telling investors Metigy had customers that never paid for or used its product.

The proceedings looked a lot like a trial. They were held in a courtroom and barrister Miles Condon, SC, questioned examinees as solicitors and liquidators looked on.

But no one is currently facing charges or civil claims from Metigy's collapse. Instead, Metigy's liquidators at insolvency firm Cathro & Partners used a provision of company law to get key people at the failed start-up to explain publicly what had happened. Their goal was to determine who else they could pursue over the corporate pantomime that left creditors, including Phil King's Regal Funds Management, Adrian McKenzie's Five V Capital and Alex Waislitz's Thorney Investments, more than \$40 million out of pocket.

In life, Metigy had such a low profile that one prospective investor who heard of it in 2021 wondered whether they had "been doing our jobs properly". In death, Metigy is perhaps the best Australian symbol of a period where low interest rates drove a frenzy of investment into companies that should never have attracted the cash.

Metigy was co-founded in 2015 by Fairfull, a former executive at a marketing agency called We Are Social, which retained a substantial shareholding.

Drawing on his experience in advertising, the plan was to create a platform that used artificial intelligence to tell small businesses how to spruik their products online. Its AI magic would spot a trend online, letting marketers

capitalise on it by buying ads on Facebook or Google with a suggested image and caption to pair it with.

Within a few years, it appeared to be a roaring success. Its growth charts were going up and to the right.

Investors such as Cygnet Capital, a Melbourne investment and advisory firm, and CP Ventures, a small Sydney venture capital player, bought in. In a world where many investors rely on “warm introductions” from their trusted peers to decide whether a start-up is worth checking out, Cygnet, in particular, was critical to opening the doors for Metigy.

Fairfull told the examinations that in 2020, Cygnet provided “essentially an introduction to potential investors ... organising meetings and presentations with those investors.” Cygnet and We Are Social declined to comment; CP Ventures was contacted for comment.

Behind the scenes, things at Metigy weren't going well.



The liquidator's barrister, Miles Condon, SC, (centre) grilled Metigy's former chief financial officer Stephen Robinson (left) and chief technology officer Johnson Lin about its collapse. **Oscar Coleman**

Robinson told the examinations that Metigy wasn't using artificial intelligence [<https://www.afr.com/link/follow-20180101-p5dt3p>]. Instead, rules in the software created by a team of contractors in Bangladesh told users what ads to buy based on their inputs.

“There was nothing AI about it,” Robinson said.

On the financial side, things were worse. Staff were going unpaid for months, Robinson and chief technology officer Johnson Lin (also known as Kuan-Chan Lin) told the examinations. Robinson endured it even though his wife had just given birth to twins. Fairfull reassured staff that he was trying to raise more money.

And yet in late 2020, Cygnet, Regal, Five V and Thorney invested in the company.

In one extraordinary piece of testimony [<https://www.afr.com/link/follow-20180101-p5dswx>], Fairfull shed light on one of the reasons investors were willing to put in \$20 million.

“Did you ever provide false bank statements, that is fraudulently prepared bank statements, to anyone?” Condon asked.

“Yes,” Fairfull responded, asserting legal privilege before each answer so that his words could not be used against him in legal proceedings.

Condon: “To whom did you provide those documents?”

Fairfull: “To various investors.”

Condon: “Commencing when?”

Fairfull: “In 2019.”

Condon: “And 2019 going forwards, Mr Fairfull?”

Fairfull: “Yes.”

Fairfull also confessed to creating false financial forecasts and making up figures in investor presentations. Under forceful examination from Condon, he repeatedly insisted that he had acted alone and told no one about his lies. He said he had used Adobe software to doctor the bank statements and made flashy investor brochures himself. The investors piled in.



An investor presentation for Metigy from 2021, similar to those Fairfull said he had created himself.

By 2021, the business was increasingly professional. It had a US-based salesman and was hiring high-paid Australian data staff to finally start building a real AI product. (Lin conceded that the software was running on rules but said: “In my opinion, that’s still a form of AI”.)

Yet, Metigy had just 59 customers that year, according to an email read out in court. Its salespeople had a solution, Robinson told the examinations. They deemed any brand that tried Metigy’s software, explored it without signing up for an account, or whose marketing agency used it, as a customer.

“It’s back to the start-up culture,” said Robinson, who disagreed with the approach. “People market as hard as they can market and leave it up to other people to determine whether it’s entirely accurate or not.”

In 2021, Fairfull and Lin cashed in some of their Metigy holdings to investors lured in by the company's stellar but false numbers. Fairfull's sale totalled a bit more than \$4 million, he told the examinations. But he denied that he had sold at that time to get out of a sinking ship.

He said he had sold to keep up appearances as a successful founder. "It's what most founders imagine at some point they'll be able to do," he said.

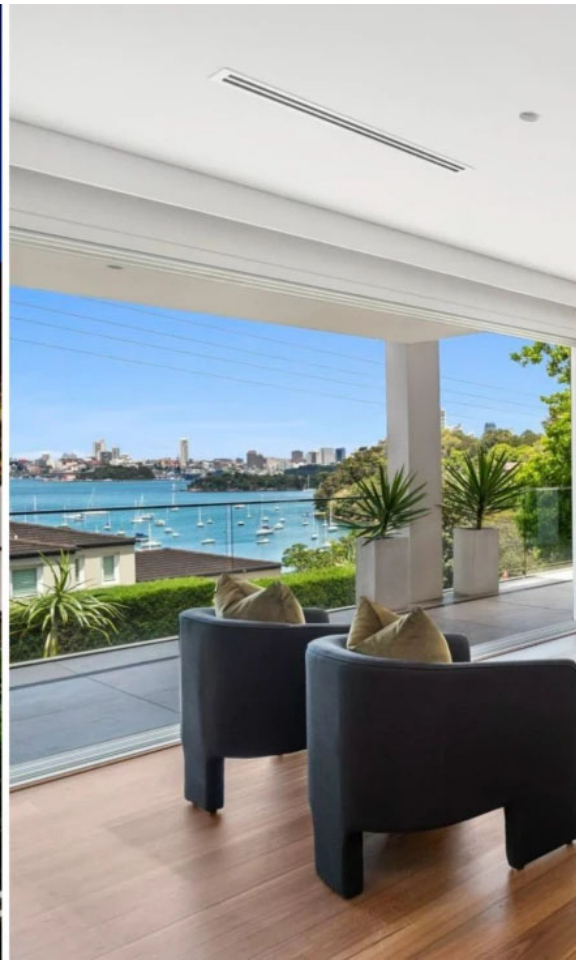
Meanwhile, the company, according to Robinson's recollection of its records, had never paid payroll tax. Fairfull partially defended his record on compliance, saying there were times parts of Metigy could have or did lodge legally required forms and payments. But he admitted that there was "no excuse" for other parts of his behaviour.

Fairfull used \$225,000 of the share sale money, via a family trust and company, to buy shares in his wife's wellness business. There is no suggestion she was aware of his actions at Metigy, and her lawyer told *AFR Weekend* she had "no idea there was any impropriety about the investment of, or the source of, the funds".

The funds that her company received, the lawyer said, "were used properly and in good faith to pay employee wages and other legitimate business expenses".

In court, Fairfull said the same. "She had no knowledge whatsoever of the circumstances [at Metigy]. So to her, it just seemed like I had the money."

Later that year, Fairfull went shopping again, buying a pair of luxury houses. One was a six-bedroom family home in Mosman, overlooking Sydney Harbour. The other was an estate in Kangaroo Valley, replete with a private waterfall, tennis courts, horse arena, guesthouse and four-bedroom residence. The two properties cost a total of just over \$18 million, plus stamp duty.



David Fairfull's Kangaroo Valley estate (left) sold at the largest known loss in NSW for that year when the mortgagor took it back. But his Mosman home sold for \$12 million.

Fairfull had hoped to finance the homes with a loan from a company called Prime, he said. But in November, with the settlement date approaching, he said the loan was delayed. Believing it would be a “short-term” arrangement, he arranged for a \$7.7 million loan from Metigy.

It signalled the beginning of the end. The court heard that the company had only about \$11 million in cash by that point. The \$7.7 million withdrawal left it with scant resources as it burnt about \$750,000 a month in expenses, the court was told.

Fairfull told Condon he still believed, at that point, that it could raise more money, and that he thought a loan would come through that would allow him to pay back Metigy. It never did.

By May last year, things were becoming desperate even though Fairfull had made loan repayments that would eventually total about \$3.7 million.

Robinson emailed Fairfull with his options. One was to repay the loan by June and use that cash to clear Metigy's debts to the authorities, freeing it to raise more cash. The other option, which Robinson at the time said he strongly opposed, was to keep failing to meet the company's tax and superannuation obligations.

"As these are longstanding issues and investors haven't treated them as dealbreakers in the past, then maybe it won't be an issue," Robinson said.

But as he and Fairfull told the hearings, the investors had no idea about Metigy's problems. Fairfull told the court he was the only one at Metigy who dealt with investors, which was corroborated by Lin and Robinson.

As Metigy hurtled toward a financial cliff, Robinson pushed the capital-raising issue, eventually triggering calls with investors that sent them rushing to Fairfull's house.

The company collapsed. Both the houses have since been sold [<https://www.afr.com/link/follow-20180101-p5c0hu>], roughly breaking even, and the money went to a mortgage lender, Fairfull's creditors and Metigy's investors.

Liquidator Simon Cathro told *AFR Weekend* his investigations and examinations would continue. "We have yet to finalise our position on various claims against potential parties," he said.



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