The MTEM Story told by the Academic Entrepreneur – Prof. Anton Ziolkowski

Friday 10th September, 12:30-1pm

Notes from Jill Robertson

Where do you find the drive and motivation to continue when you have spent over 3.4 million Euros and more than 6 years, testing your concept without any conclusive result? This is an amazing story of a team who knew they were right, felt an obligation to prove it and weren't prepared to give up. This was not however blind faith or pig headedness, they knew that there were errors in the data collection and the key was to understand where the errors had come from and correct for it.

That break though came in 2001 when the problem in collecting the original data was identified and a process could then be formulated to correct the data and a patent application be made. Recognising the need for external expertise, a former oil industry expert was invited to join as CEO, the team comprising two academics and a PhD student. Their business plan strategy was obtain sufficient funding to become cash-flow positive. Risks were assessed as technical, operational, financial, but the biggest under-estimate the team made was the marketing risk. They assumed it would be straightforward and the market would understand the need for their product. They didn't.

Advisors were appointed and financial commitments made in the form of £5k up front to both the lawyers and the financial advisors, the balance was in the form of contingencies. This is where the team's confidence in their product is reiterated as the financial penalties, should the team withdraw from the deal were significant: £100k to the financial advisors and the balance of fees incurred by the lawyers.

The company MTEM was formed in 2003 when the proof of concept was funded by Scottish Enterprise. The first investment deal failed in June 2004, but Simmons & Co international identified new VCs and the deal went ahead in November 2004 for £7.4m. The money was released in tranches to MTEM, on agreed deliverables. MTEM had a chairman, 3 non executive directors and 3 executive directors. The business plan continued with the team meeting weekly, the board monthly to achieve their objectives. The whole company documentation was always restricted to what would fit on one CD, with the objective of being able to display the company finances to the market effectively and concisely. Carnegie helped them achieved the market sale in 2007 for a figure of £138m.

Lessons learnt? That they had under-estimated the risks, that they were very lucky as it wasn't inevitable they'd succeed given that their sale price was largely a result of a

market sale of an inferior comparable at a premium price. This however also gave the investors a known exit strategy from the outset which ensured that the November 2004 deal went ahead.

Outcome: two millionaires from the academic staff and an inspiration for others that it can be done!