

Scitox Ltd – rapid wastewater toxicity testing

Hear how Escalator helped SciTOX raise \$1.3m venture capital at:

[://www.youtube.com/watch?v=nTxtDucBvkc](http://www.youtube.com/watch?v=nTxtDucBvkc)



“Raising capital is a formidable task, especially as first timers. We would have not achieved this great a result without the support of the Escalator Advisor”

- *Dr Ralph H. Wattinger Jr. SciTOX CEO and Managing Director*

Summary

SciTOX needed to raise \$1.3m to successfully capitalise on potential overseas markets. With the support of Escalator, the company’s capital raising venture closed oversubscribed by 30% – six weeks of schedule.

Background

Environmental monitoring is essential to safeguarding communities from the risk of pollutants and toxins in public waters. To meet the demand for a rapid and accurate means of monitoring toxic contamination in wastewater, Christchurch-based SciTOX created The Alpha - a bio-sensor toxic analyser that can assay all toxicants in the waste stream within 15 minutes.



The Alpha alerts wastewater treatment plants to any potentially toxic trade waste, allowing the treatment facility to modify its processes and charge trade-waste customers based on the toxicity or content of their waste.

With a team of international experts having developed the bio-sensor on behalf of Lincoln University subsidiary Lincoln Ventures Ltd, SciTOX had pilot customers standing by. However, what was needed was the essential capital to fully commercialise the product.

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The investment journey

Raising that kind of money is a formidable task, especially for first-timers like SciTOX. However, with the support of Escalator, the company's capital raising venture closed oversubscribed by 30% – six weeks of schedule.

Escalator broker Pacific Channel called on its connections and good relationships with investors in the bio-tech sector to help secure the capital alongside its seed co-investment partner, the New Zealand Venture Investment Fund. Pacific Channel was also able to help guide SciTOX through the investment process.

SciTOX CEO and Managing Director, Ralph Wattinger, says: “This was our management teams’ first capital raise in New Zealand. The need for an advisor, familiar with the investment process, such as the Escalator programme, was critical. This could not have been done without Escalator's support and knowhow.”

Lessons learned

1. Investments are not just about getting money for a concept. To achieve a viable product it needs to:
 - be able to be produced commercially (design for manufacture)
 - be focused on minimising costs (lean; design for quality)
 - have a viable market plan that can be rapidly executed.
2. Piecemeal implementation delays the likelihood of positive cash flow, especially if your marketing and sales channels aren't ready. In the end, be honest and conservative with your sales forecasts. Focus on costs and productivity at the front-end, and budget for worst-case scenarios. Then, if the forecast return on capital looks good, pursue the product. If not, ask yourself why - and answer realistically.
3. If your company is weighted with technical people, adding a team with strong sales and financial expertise brings benefit. The most important aspect of an investment is the ability to make painful decisions.

4. Success, whether in business in general or in capital-raising, is built on a solid and structured business plan and creating a finance model for growth.

Looking ahead

In November 2009 SciTOX announced the first commercial shipment of the Alpha toxicity analyzer.

SciTOX CEO Ralph Wattinger, said: “The first four units have been shipped to Europe and Asia. In addition customers in the Americas, Asia, and Europe have committed to further orders.” Customers include government agency laboratories and universities running wastewater treatment training programmes.

In December 2009 SciTOX released its UniTOX toxicity analyzer, aimed at university and research markets, and for use in the development of custom applications and methods for toxicity and metabolic measurements.

Looking for investment? Don't go it alone. Call the Escalator Helpline – 0800 822 748 – and ask about:

- **Specialist training programmes**
- **Growth finance strategies, deal preparation and closure assistance.**

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