

Firstfolio in negotiations to acquire \$6 billion in loan assets

By Kim Christian

SYDNEY, Nov 19 AAP - Mortgage and financial services group Firstfolio Ltd is in negotiations to acquire up to \$6 billion in loan assets from three separate companies.

Firstfolio says it has commenced due diligence to acquire finance company First Chartered Capital's (FCC) \$3.5 billion loan book, wholesale mortgage manager Loan Services Australia's \$2 billion mortgage managed loan book and mortgage manager Xplore Capital's \$400 million managed mortgage book.

After acquiring the businesses eChoice and Domain Financial Services in 2008, Firstfolio says the new acquisitions would add to its \$12 billion loan portfolio.

The move would see Firstfolio's loan book approach \$18 billion, with settlements of about \$300 million each month.

The three acquisitions involve upfront payments of \$15 million in cash, five million shares and an estimated \$5 million in deferred payments tied to agreed performance metrics.

Firstfolio chief executive Mark Forsyth said each business acquisition would strengthen the company's three primary areas of focus including wholesale mortgage distribution, geographic expansion and new distribution development.

"In the past we bought eChoice which was a radical shift in our distribution strategy and now we're buying First Chartered Capital and they've got 35 franchise offices, so it's a new delivery channel for our products and services," Mr Forsyth told AAP on Thursday.

"All through the doom and gloom, through last year, we were still consolidating, still buying and we bought eChoice and Domain in the depths of despair last October and November.

"We haven't done this with the view of the economic environment, we've done it believing that the industry needs to consolidate."

There were a lot of businesses replicating the same thing while larger banks were looking to deal with fewer, larger mortgage managers.

"That's given us the ability to go out, and maybe even the GFC helped, where other people were nervous or thought that they lacked the depth to manage the business going forward and we've been able to convince them that they would be better being part of a bigger business."

Firstfolio continued to speak to providers as part of its acquisition strategy.

"What we find when we do a new acquisition is somebody will give us a call after it's sparked their imagination from the last acquisition and we get presented with an opportunity," Mr Forsyth said.

"That's what happened with eChoice."

Firstfolio has secured a long term \$25 million funding facility to fund its further growth, with Welas Pty Ltd.

Mr Forsyth said the company's growth strategy involved establishing exclusive mortgage and financial services arrangements with brands such as AV Jennings.

The Xplore acquisition offers exclusive access to the Amway network in Australia.

The company has provided 2010 financial year earnings before interest, taxes, depreciation and amortisation guidance in the range of \$10 million to \$11 million.

Firstfolio shares were up 1.5 cents or 31.25 per cent at 6.3 cents.

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