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Firstfolio buys mortgage broker echoice

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Home loan provider Firstfolio has agreed to buy Australia's biggest online mortgage broker, echoice, for \$4.2 billion in shares and cash, as well as income from the mortgage book.

Firstfolio said it would pay echoice's shareholders 60 million shares and \$1 million in cash over four years, the company said in a statement.

Allianz Australia holds a majority share of echoice and Macquarie Group has a substantial minority stake in the mortgage broker.

Shares in Firstfolio closed at 29 yesterday, valuing the share component at \$1.2 billion.

Firstfolio also will pay a yet-to-be agreed share of income from echoice's \$2.6 billion loan book.

The takeover, expected to settle on October 31, will increase Firstfolio's loan book to over \$10.5 billion and the Sydney-based company will gain echoice's online sales and processing platform.

Firstfolio's loan portfolio has grown from \$2 billion in 2006.

The online broker echoice was established in 1998 and recorded a net profit of \$1.9 million in 2007-08. The company had positive earnings for the past five years.

Firstfolio said the takeover had the potential to deliver significant cost efficiencies from a combined operating base.

The acquisition of echoice will immediately position Firstfolio as a leader in the online mortgage sales segment, Firstfolio chief executive Mark Forsyth said.

"We believe the online segment has unappreciated potential in Australia..."

He said echoice had 60,000 clients and there was scope to grow that number.



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