



Firstfolio: Credit crunch good for business

Listed financial services group Firstfolio has stated that the credit crisis has been a “significant help” to the company’s rapid expansion.

Speaking exclusively to *AB*, CEO Mark Forsyth said the group’s growth from a \$2bn loan book in 2006 to its current \$11.5bn book has been largely due to the tightening of funding conditions due to the global credit crisis.

“The credit crisis has helped me significantly,” he said.

“When I was first looking for acquisitions at the end of 2006, there were far fewer willing sellers, and the ones who were [willing] were priced significantly higher.”

Forsyth said that the situation began to change after “the credit crisis really bit in” during the first quarter of 2008.

“Businesses realised they had to do something and the smarter ones saw the value of being part of a larger group rather than being on their own, so that’s where we’ve been able to do deals,” he said.

According to Forsyth, the funding crisis did not have a strong bearing on Firstfolio’s acquisition process because the company had strong funding relationships with ING and Adelaide Bank.

“That helped in terms of wholesale [funding] significantly, and because we have a new management team with fresh ideas and a significant degree of energy, we just got more momentum,” he said.

Forsyth said acquiring businesses with intrinsic cashflow allowed for rapid expansion.

He went on to say that the industry should expect more consolidation first among the large, first tier, businesses and then, potentially, among the second tier as well.

“I think there are still businesses out there that need to find a home,” he said.

Firstfolio commenced its aggressive growth-by-acquisition strategy in 2006 when it acquired a major shareholding in Lawfund Australia. Since then, the company has signed three distribution agreements and made four acquisitions – most recent takeovers include online mortgage platform, eChoice, and mortgage manager, Domain Financial Services.

Forsyth expressed the intention to further expand the business with the goal of achieving a loan book “somewhere in the order” of \$15bn by the end of 2009.

To keep up to date with Firstfolio’s movements and other industry news, check out www.brokernews.com.au

Firstfolio acquisition timeline

September 2006 – acquires major shareholding in Lawfund Australia

March 2007 – acquires a further 39.27% holding in Lawfund Australia

September 2007 – acquires Capital First \$620m prime mortgage management portfolio from GMAC-RFC

October 2007 – acquires remaining interest in Lawfund and Gold Coast-based mortgage broker Blue Coast Finance

March 2008 – signs distribution agreement with Tasmania-based mortgage group Apple Loans

May 2008 – signs distribution agreement with Brisbane-based mortgage group MyLender

June 2008 – signs distribution agreement with Melbourne-based mortgage company Moniworx

October 2008 – acquires online mortgage platform, eChoice, and enters into advanced negotiations for the acquisition of Domain Financial Services



Key points

- **Firstfolio loan book grows to \$11.5bn through acquisitions**
- **Number of willing sellers has increased due to funding crisis**
- **More consolidation within industry to come**
- **Firstfolio looking to expand loan book to \$15bn by end of 2009**