



CUSTOM BUILT

Firstfolio has grown its loan portfolio from \$1b to \$20b in just over three years but does this young heavyweight resemble the shape of things to come for the industry? Jessica Darnbrough reports

WHILE THE majority of the industry is preoccupied with legislation, Firstfolio has remained firmly focused on its aggressive growth strategy.

Over the past two years, Firstfolio has acquired six businesses including mortgage managers, brokerages, equipment leasing specialists and an online mortgage brokerage to name but a few.

But while the business does derive much of its income from its wholesale brokerage operation it can hardly be branded as an aggregator as this only reflects one facet of its operation.

Nor can it be labelled as a mortgage manager despite the weight of its loan book accumulated via acquisition of originators over the years.

So where exactly does Firstfolio fit in to the third party distribution sector and how exactly should it be described?

Firstfolio's chief executive officer Mark Forsyth likens the group to that of a "mini-bank".

"We have been compared to Mortgage Choice a lot in the past because we are both ASX listed companies. However, realistically, they only have a stake in one part of the industry – aggregation," Mr Forsyth says.

"I would prefer to compare ourselves to that of a mini-bank – something like AMP.

"While we don't offer wealth products, our mission is to

diversify Firstfolio's business offering to provide customers with business finance, mortgages, leasing, asset finance, personal loans, basically everything around a person's asset and liability stance."

While diversification is not new to the financial services sector, Firstfolio's interpretation of this business strategy is decidedly contemporary.

While other businesses have placed significant emphasis on diversification streams it has more often than not been organic. Most aggregation groups have ramped up their own product offering, introduced alternative revenue streams and emphasised the importance of evolution to members however this is a strategy that takes time.

Mr Forsyth however is striving to build the business and diversify its revenue through acquisitions alone.

Although it is early days to call how successful this acquisition driven business model will be in the future, it is fair to say that Firstfolio has already achieved some notable milestones.

The group has piled its loan portfolio up from \$1 billion to over \$20 billion in just 40 months. To put this achievement into perspective, it took Aussie Home Loans around 10 years to build a loan portfolio to a similar size and scale through organic growth.



UNIQUE IN APPROACH

But despite this monumental growth Mr Forsyth has no plans to sit on his laurels. Quite the opposite, he says he will maintain the company's current aggressive acquisition strategy for the long term.

"While we won't complete any more acquisitions before the end of the 2010 calendar year, it is safe to say we will continue to acquire in the future," he says.

And the business already has one acquisition target in the pipeline for 2011.

In late September Firstfolio unveiled its plans to acquire mortgage manager National Finance Club (NFC) and franchise finance brokerage Club Financial Services (CFS).

If and when the \$20 million acquisition goes through, Firstfolio will also net CFS' \$2.8 billion loan book.

So why is Firstfolio so hungry for growth? According to Mr Forsyth the company is not merely growing for growth's sake.

Profitability is the main driver behind the company's recent spate of acquisitions and for one primary reason – a strong return for its shareholders.

"Firstfolio is not like every other group," Mr Forsyth says.

"We want to return value to our shareholders quickly and we know we need scale and mass to do that."

Anyone that spends any amount of time talking to Mr Forsyth can clearly see this is a man on a mission.

He has a clear vision for the company, but not only that, he has complete conviction that this vision will translate into a reality sooner rather than later.

Mr Forsyth first joined Firstfolio in 2006 and brought with him more than 25 years' experience in the financial services sector.

Commencing his international career with DHL Worldwide Express, Mr Forsyth spent 13 years in corporate finance and general management and then seven years consulting to various Australian companies on strategies for entering the Asian market.

He has also worked as the corporate advisor to the Cobra Group – a diversified group of companies with interests in sales and marketing, insurance and financial services – working on the company's expansion in South East Asia.

His expertise in organising and completing both national and international acquisitions was put to good use when Mr Forsyth joined the Firstfolio team.

In his four short years with the company, Mr Forsyth has managed to restructure the group's operations to support growth in the loan portfolio from \$1 billion to more than \$18 billion.

Under his guidance, Firstfolio has completed a range

of acquisitions including the Group's aggregation business Lawfund, online mortgage company eChoice and a range of boutique mortgage brokerage and finance businesses in a bid to build the company's revenue stream and diversify into other areas.

BRAVE NEW WORLD

While it is fair to assume there are many in the industry that will never share Mr Forsyth's bullish attitude towards acquisition, they will undoubtedly watch with interest as Firstfolio continues to acquire more businesses and diversify its revenue stream.

According to Mr Forsyth, the company aims to generate approximately 15 per cent from products other than mortgages

"Currently mortgage volumes account for 97 per cent of our revenue. But we would like to change this. That said, mortgage broking will always be at the heart of Firstfolio's business," he says.

Whether or not this goal is achieved, remains to be seen.

So are other groups likely to follow in the footsteps of Firstfolio or will this juggernaut chart its own course? The answer to Mr Forsyth is immaterial.

Asked how he views his business within the broader market sector he describes it as "peerless".

"While we are active in the mortgage industry, competing with other groups is not where my focus lies.

"I am completely focused on delivering a result for my shareholders. And if that means that diversification becomes more important than selling mortgages, then that is what I will do," he says.

"I don't worry about the rest of the industry. I just worry about running my own business. I have shareholders that expect a good rate of return and I am committed to making that happen.

"I am dedicated to creating a business that can stand alone, meet expectations and deliver on its key promises."

In a segment of the financial services sector that is still comparatively young and is no stranger to innovation, there is no question that others will watch the fortunes of Firstfolio with interest.

Time will decide how successful Mr Forsyth's strategy is but one thing is for certain: Firstfolio is not a business that will wait around to take the lead from others when it comes to growth and so far it has been successful.

While integrating businesses and cultures can be a challenge, Firstfolio's CEO has decades of experience to fall back on and Mr Forsyth is fearless in his convictions. And as many in the mortgage broking industry have already proved, fortune favours the brave. ■

■ ■ WE HAVE BEEN COMPARED TO MORTGAGE CHOICE A LOT IN THE PAST BECAUSE WE ARE BOTH ASX LISTED COMPANIES. HOWEVER... I WOULD PREFER TO COMPARE OURSELVES TO THAT OF A MINI-BANK ■ ■