

GROWTH

INVESTOR

COMPANY

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THE INDEPENDENT VOICE ON FAST-GROWING COMPANIES

Savile finds its place

Robert Tyerman

In these dire days for ambitious corporate executives, outplacement, mentoring and 'talent management' specialist Savile Group is feeling distinctly cheerful. The City-based company finds that well-connected people 'let go' from their previous jobs are beating a path to its door, as they seek to find new corporate homes for their talents.

Meanwhile, companies are equally keen to find people able to cope with today's tough conditions, rather than the effortless and well-incentivised growth of yesteryear. This is what gives Savile an encouragingly counter-cyclical flavour.

Ex-headhunter Ffion Hague, wife of shadow foreign secretary William Hague, is becoming a 'boardroom effectiveness' mentor at AIM-quoted Savile, which turned a £27,000 loss into a £750,000 pre-tax profit in the six months to December on turnover up 60 per cent to £4.8 million.

Executive chairman and erstwhile City financier Jonathan Cohen, a veteran of County NatWest who worked for Victor Blank when the beleaguered Lloyds Banking Group boss ran the Charterhouse investment concern, attributes this improvement to growth in outplacement, now 65 per cent of turnover, at a time of savage executive job cuts in finance and other sectors.

Cohen also highlights a cultural shift, which has helped improve Savile's performance: 'We had good people who were not always very commercial, but now there is a sharper focus on profit margins rather than new business for its own sake'.

Analysts suggest that the company could more than double profits this year after a £777,000 interim turnaround. Following a capital restructuring, Savile is also poised to re-enter the dividend lists at the end of the current financial year.

Savile's fees can range from £40,000 for hand-holding and outplacement support for an ousted bank director to £1,000 for helping a displaced staffer identify 'transferable' skills. Cohen says talent management and mentoring, supported by a well-connected team, has held up well during the recession.

Savile, he says, can score by providing a wider range of services for existing customers. 'Some 500 companies have paid Savile Group for one service, but only 30 per cent have paid for more than one service and that proportion can be grown.'

The group has its origins in Fairplace, an AIM-quoted outplacement company backed by Cohen and outplacement entrepreneur Peter Evans that foundered when routine outplacement became a 'commoditised', low-margin business. Cohen and Evans bought 25 per cent and moved the company by acquisition into less cyclical 'niche' areas, several imported from the USA, where these services are further developed.

Today, Savile is run on a 'federal model' – CEDAR Talent Management focuses on coaching, leadership assessment and development for executives one rung below board level. IDDAS offers board-level career and business mentoring, coaching and talent management – 'When I was a banker, I really could have done with a mentor,' reflects Cohen. Finally the Fairplace business continues to provide outplacement and talent management.

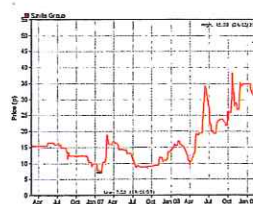
Mrs Hague is not the only public figure brought in to impart wisdom to Savile's clients. Lord Freeman, former head of the London Tories, chairs the company's advisory board, whose other members offer a range of experience in industry, law, accountancy and academia.

Cohen wants to move Savile more into the public sector, utilities and pharmaceuticals as well as the renewable energy space. 'I'd like us to be stronger in boardroom assessment,' ruminates Cohen, who also sees opportunities in remuneration consultancy. As yet, Savile has been unable to agree a price for the several acquisitions it has considered – 'price and personal chemistry hold the key to successful acquisitions'.

Analysts see full-year profits of £1.5 million on £9.5 million turnover, more than double last year's £725,000 profit on £6.9 million turnover. Cohen argues that, if his strategy continues to pay off, 'we'd have an annual turnover of £25 million to £30 million in a short number of years'. Since the start of 2007, the shares have risen from a depressed 7p to 48p, which still leaves them on an undemanding prospective price-to-earnings ratio of 6.5.

SAVILE GROUP

Growth Company Recommendation – Buy



Ticker: SAVG
Sector: Support services
Listing: AIM
Mid-price: 48p
Spread: 46p-50p
Market cap: £6.9m
12-month high/low: 48p/9.5p
Normal market size: 1,000
Average sector p/e: 10.5

RESULTS	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	p/e
2008 (A)	6.9	0.7	4.6	10.4
2009 (E)	9.5	1.5	7.4	6.5
2010 (E)	10.7	1.7	8.6	5.6
2011 (E)	11.7	1.9	9.5	5.0

SECTOR PEERS	Ticker	Market cap (£m)	Pre-tax profit (£m)	Forecast p/e
Hexagon Human Capital	HHC	8.9	2.9	n/a
Penna Consulting	PNA	47.4	2.0	15.5