AIM: SUPPORT SERVICES

SAVILE GROUP (SAVG)

BUY

Savile benefits from City cull

Bull points

- Outplacement demand strong
- Lowly rated
- Dividend expected

Bear points

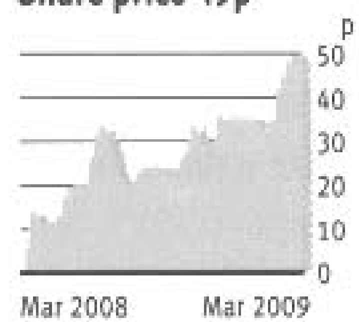
- Outplacement demand will eventually fade
- Talent management divisions susceptible to downturn

Recruitment companies are the first, and often hardest, hit when recession strikes. But sub-sectors of the recruitment market such as outplacement – where larger corporates making redundancies pay for those leaving to be retrained – are genuinely counter-cyclical and offer strong growth opportunities when the chips are down. Specialists in outplacement are thin on the ground, which leaves Savile Group well placed for a period of strong growth.

Savile's Fairplace outplacement division represents more than 60 per cent of its full-year revenues and 70 per cent of profits, and is the fourth largest in the UK with a 5 per cent share of the market. The value of the outplacement industry in the UK fluctuates between £80m and £120m depending on the economic cycle and, with redundancy numbers rising sharply, demand is on the rise.

Such is the demand for outplacement from the financial services industry that Savile has significantly increased capacity in London, while its offices in the regions are also reporting strong demand. Recent interim results showed a profit of £750,000 – more than it generated in the whole of the last financial year. The company also has cash in the bank to support expansion plans and is expecting to pay a dividend for the full year as a result of strong cash flows.

Share price 49p



Savile operates two talent-management businesses: Iddas, aimed at senior executives, and Cedar, which targets those below board-level management. Executive chairman Jonathan Cohen says that demand has held up as companies continue to invest in their workforces even in a downturn. The sustainability of outplacement growth is limited, although conditions should remain strong for the remainder of 2009.

Savile's shares have more than doubled in the past year, but still offer a 4 per cent dividend yield and only trade at a PE ratio of 7 times forecast adjusted EPS for this year. That's attractive when compared with larger rival Penna Consulting, which is valued at 11 times earnings. Buy.

Savile Group

Ord Price: 49p **Market Value:** £7.0m
Touch: 47-51p **12-Month High:** 52p **Low:** 9.5p
Dividend Yield: 4.7% **PE Ratio:** 6
Net Asset Value: 18p **Net Cash:** £1.3m

Year to 30 Jun	Turnover (£m)	Pre-tax profit (£m)	Earnings per share (p)	Dividend per share (p)
2006	4.9	-0.7	-13.1	nil
2007	5.1	-0.2	-5.3	nil
2008	6.9	0.7	4.6	nil
2009*	9.5	1.5	7.4	2.0
2010*	10.7	1.7	8.9	2.3
% change	+13	+13	+20	+15

Normal market size: 1,000
Market makers: 4
Beta: -0.06
*Arbuthnot estimates