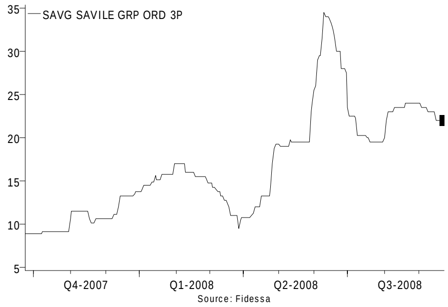
Savile Group 22p FLASH NOTE

24 September 2008

Very Strong Second Half. Good Prospects For The Current Year

Share Price: 22p



12m High: 34p

12m Low: 10p

Market Cap: £3m

Shares in Issue: 14.65m undiluted
17.25m fully diluted

NAV/Share: 10p fully diluted ex intangibles

Gearing: Nil (£1m net cash)

Interest Cover: n.a. (net interest income)

EPIC Code: SAVG

Sector: Support Services

Market: London AIM

Broker: Dowgate Capital Advisers

PR: The Wriglesworth Consultancy
+44 (0)20 7427 1400

Website: www.savile.com

Description: Savile Group is a City based Human Capital specialist. It owns one of the leading outplacement brands, Fairplace, and is also active through CEDAR Talent Management and IDDAS in talent management and mentoring.

Analyst: Roger Hardman

Tel: +44 (0)20 7929 3399

Email: research@hardmanandco.com

Full year results from this outplacement, talent management and mentoring company were first rate, and showed a profit of £0.7m following several years of losses. The comments on current trading are encouraging and it is clear that Savile is heading into the current year with a profit run rate of over £1m.

Key points are:

- Savile Group completed two acquisitions during the year. These produced most of the turnover growth, but the original business operated with much improved margins in H2 – two thirds of this forward movement in profit was organic.
- The outplacement business now predominantly trades under the Fairplace banner (board level transition being handled by IDDAS), and from mid-year has had a much more structured offering. This has both improved efficiency and resulted in a more attractive product with more sensible margins. This new marketing approach within outplacement is responsible for much of the forward movement in profits.
- All talent management/leadership assessment is now being undertaken under the CEDAR brand. The original talent management businesses of CEDAR and Fairplace have benefited from being integrated and customer demand appears strong, especially from multinationals.
- The April acquisition of IDDAS, a mentoring and career transition business operating at board level, did not contribute at all to last year's profits. We expect a profit contribution of at least £0.1m from IDDAS in the current year.
- There will be more acquisitions in the Human Capital space. Savile has no intention of staying a £3m market cap company. The new board is ambitious and experienced. Six of the nine directors, including the Chairman, CEO and FD, have all been with the company less than two years.
- The heavy emphasis on City outplacements puts Savile in a very attractive position ready to handle the layoffs coming from the banking, broking and corporate finance industries.
- There is over £1m net cash in the company.

Savile Group has been overlooked by the market – possibly because of the recent name changes. If Savile were on the same rating as its nearest competitor Penna, its price would more than double.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
June	£m	£m	£m	p.		p.	%
2007A	5.1	-0.19	0.21	2.2	10.0	0	-
2008A	7.0	0.72	0.90	6.0	3.7	0	-
2009E	9.0	1.19	1.21	4.9	4.5	0	-
2010E	No	Forecast					

The P & L Account

£0.52m of the £0.72m profit came from the original business, Fairplace Consulting. The original Fairplace contained a mixture of outplacement and talent management services, and because the group structure has been reorganised to put all outplacement work in Fairplace and all talent management in CEDAR, this cannot be taken as a divisional split. No divisional split has been provided by the company.

£0.20m of the profit was produced by CEDAR, an acquisition that was included for ten months of the financial year. The second acquisition, IDDAS, made a (very) small loss. IDDAS will have considerable value for the business in the current year, however, for it has given Savile a West End base that was lacking before, and given it much greater presence in director level work. We expect turnover of over £1m from IDDAS in the current year, and an operating margin of 10%+.

One-Off Items

The profit comparisons, both between 2007 and 2008 and between H1 and H2, are distorted by several factors. The key ones are:

- 2007 results bore a £0.4m goodwill impairment that pushed declared profits into the red.
- H1 2008 saw a £0.17m (incl. NI) Compensation For Loss Of Office payment to a past director. There was also a £54,000 charge for amortisation of intangibles. Adding these back turns the small loss reported in H1 into a respectable profit of £178,000 pre-tax.
- H2 2008 has been flattered by a reversal of that charge for amortisation of intangibles, with a credit of £52,000. On the other hand H2 has carried an almost full tax charge.

Seasonality

Splitting H2 out from H1 in these latest results shows H2 to have been much the better half. Savile clearly finished the year strongly, but it is important to remember that H1, July to December, contains both the main holiday months, August and December. We cannot be precise about seasonality because the company is changing so rapidly, but we would expect a 45/55 H1/H2 sales split, and a 40/60 H1/H2 profit split.

Balance Sheet

There is £1.1m of cash in the bank and no debt. This cash is equivalent to a third of the current market capitalisation. Trade receivables and trade payables are both strongly up, both from the June 2007 and the December 2007 position. Trade receivables are up 22% in the last six months and trade payables up 35%; the comparables on this basis include the CEDAR acquisition. The increase in both these numbers suggests to us that Savile Group was growing vigorously at the end of the year, which augers well for the new, current financial year. The comments on prospects in the results announcement back this up.

Our Forecasts

Our forecasts assume a further improvement in margins, from 12.4% (adjusted for last year's one-off factors) to 13.5%. We expect tax of 30% on declared profits vs. 27.5% in the year just completed. EPS will be held back by this, and more importantly by the larger number of shares in issue on a fully diluted basis. On any other measure, 2008/9 should be a very good year for the company.

Savile Group has been overlooked by the stock market, partly because after two name changes in a year few people have any idea what it is and partly because those that are aware have been put off by the past performance. In our opinion, Savile Group clearly deserves attention by serious investment managers seeking exposure to the Human Capital sector.

Savile Group

Profit & Loss Account	**2007A**	**2008A**	**2009E**
y/e June £m			
Continuing Operations			
Trading Revenue	5.069	6.949	9.000
Other Operating Income	0.000	0.068	0.000
Total Revenue	**5.069**	**7.017**	**9.000**
Other Operating Expenses	4.854	6.306	7.850
Goodwill Impairment	-0.400	0.000	0.000
Operating Expenses	5.254	6.306	7.850
Operating Profit	-0.185	0.711	1.150
Net Interest Income	-0.001	0.013	0.040
Declared Profit Before Tax	**-0.186**	**0.724**	**1.190**
Tax £	0.000	-0.199	-0.357
Tax Rate %	0.0%	27.5%	30.0%
After Tax Profit	-0.186	0.526	0.833
Dividend per Share p.	0.000	0.000	0.000
Avge No. Shares In issue m.	9.800	11.433	14.650
Avge No. Shares Fully Diluted m.	9.800	11.547	17.251
Continuing eps undiluted	-1.90	4.60	5.686
Continuing eps diluted	**-1.90**	**4.55**	**4.76**
Adjustments			
Compensation for Loss of Office	0.000	0.171	0.000
Goodwill Impairment	0.400	0.000	0.000
Amortisation of Intangibles	0.000	0.002	0.020
Adjusted Operating Profit	0.215	0.884	1.170
Adjusted Operating Margin %	**4.2%**	**12.7%**	**13.0%**
Net Interest Income	-0.001	0.013	0.040
Adjusted Pre-tax Profit	**0.214**	**0.897**	**1.210**
Tax £	0.000	-0.199	-0.357
After Tax Profit	0.214	0.698	0.853
Adjusted eps diluted	**2.18**	6.04	**4.88**

Management

Chairman: Jonathan Cohen

Chief Executive: Peter Evans

Finance Director: Mark Sidlin

Major Shareholders

Jonathan Cohen	14.0%
Peter Evans	10.0%
Peter Conroy	8.0%
Linda Jackson	5.3%

1,087,776 of Jonathan Cohen's shares are jointly held by a company owned by Peter Conroy.

(all key shareholders are directors)

Key Dates

Annual Meeting: October 28 2008

Interim Results: March 2009

Full Year Results: September 2009

Key Milestones

February 2007: Jonathan Cohen and Peter Evans appointed to the board as Non-Executive Directors and subsequently as Chairman and Chief Executive respectively.
May 2007: Loss-making Italian subsidiary sold.
September 2007: CEDAR, a talent management company, purchased.
April 2008: IDDAS, a high level West End mentoring company, purchased.

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Hardman & Co

4-5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: +44(0)20 7929 3399
Fax: +44(0)20 7929 3377

www.hardmanandco.com