

Client: Savile Group
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Outplacement provider set to benefit short-term as unemployment rises

Savile just the job for investors

Dan Coatsworth

Employees who are made redundant from mid- to large-sized companies are often offered career guidance and coaching to find new work, as part of their severance package. Such outplacement services are becoming standard practice in the UK, with the costs met by the employer. The current spate of job cuts in this country has created a sharp hike in business for outplacement specialist **Savile Group**, which is set to benefit financially from the influx of bankers, IT specialists and other skilled individuals suddenly out of work.

'Bad news for others is great news for us,' says chairman Jonathan Cohen. Savile, formerly called Fairplace Consulting, last month reported its first annual pre-tax profit for six years at £724,000. Outplacement business has been supported by a strong turn from its talent management arm, where it is paid by corporates to develop high-flyers within their business to become tomorrow's leaders.

The market place is certainly getting better for Savile, despite being miserable for many of the people using its services. As a short-term investment, the prospects look good with ongoing momentum in the share price. The stock has outperformed the market by 53.6% in the past month; 227% in six months; and 364% in the past year. The company has £1.1 million cash and no

debt. This equates to a quarter of its market cap.

Timing is everything with Savile. *Shares* would be reluctant to hold the stock beyond the middle of 2009 as there is a danger of the marketplace quickly becoming saturated. It will be easy for traditional recruitment companies to offer outplacement services and history has already shown outplacement is a cyclical commodity. Cohen said the last downturn created a spike in business and then pulled down typical outplacement fees from £6,000 to £3,000 per person due to competitors trying to undercut on price. This pushed most service providers into the red.

For now, however, Savile looks to be a punt worth taking. It is one of the few companies which stand to benefit from businesses downsizing. The next set of financial results, expected in March, should show the impact of higher outplacement advice volumes relating to the current wave of job cuts. The market may then price in a discount on the shares because of potential competition threat, so it should be worth taking a profit if *Shares* is proven correct and the stock advances by more than 20%. This is a short-term trading play that should give a return on investment four times greater than the return earned by cash sitting in the bank.

Savile Group

(SAVG:AIM) 28p
Stop Loss 22.5p

+ BUY

Shares summary

Many redundancy packages include career advice and support sessions such as those offered by Savile. With a recession looming, the outplacement specialist is set to grab its 15 minutes of fame.

Business:

Outplacement, talent management

Vital stats:

Market value: £4.1 million
Historic PE: 5.7
Prospective PE 2009: n/a
Prospective PE 2010: n/a
Sector PE: 10.2
1-month relative strength: 53.6%
1-year relative strength: 364%
Yield: n/a
Spread: 6.9%

