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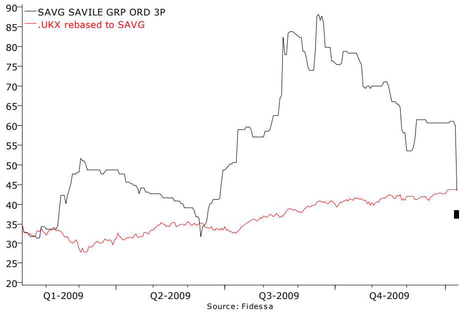
Savile Group
Behind The Downgrade

37.5p

14 January 2010

Share Price: 37.5p



12m High: 89p

12m Low: 31.75p

Market Cap: £6m

Shares in Issue: 16.9m

(16.0m excl. Treasury shares)

NAV/Share:	21.7p (2009A)
Gearing:	£3.2m net cash
Interest Cover:	net interest income

EPIC Code:	SAVG
Sector:	Support Services
Market:	London AIM
NOMAD & Broker:	Finncap. 020 7600 1658
PR:	Cardew. 020 7930 0777
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, mentoring and coaching.

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Wednesday's trading statement from outplacement specialist Savile Group disappointed the market and we are downgrading. Our new estimates for the financial year to June 2010 are:

- Sales £9.5m (previous estimate £11.0m)
- Pre-tax profit £1.0m (previous estimate £2.0m)
- EPS 4.0p (previous estimate 7.6p)
- Dividend 2.3p (previous estimate 2.5p).

The problems arose in Q2, October-December. As late as mid-September, in its preliminary results announcement, Savile was confident about the outlook. At end-October it stated that trading was 'broadly in line with the previous year' and that it had a 'growing pipeline'.

Q2, however, has turned out 'significantly below expectations. The problem appears to have been a sudden downturn in outplacement, exacerbated by the unexpected loss of c. £1m of work from one large investment bank, apparently on price. Some smaller outplacement companies appear also to be suddenly finding business tough, although this does not appear to apply to the market leader, Penna.

Almost all companies in the talent management space are finding customers nervous about committing to new programmes, although Savile states that the pipeline here is strong and suggests that the issue is more one of an extended timeframe to convert enquiries into business.

£0.75m of cost savings have been implemented, but most of these will only impact H2, and probably not fully even then. A new £0.5m outplacement contract has been won but is not yet operational. Savile is H2 weighted so not too much importance should be attached to the Interim Results announcement in mid-February, but when released we expect this to show sales of in the region of £4m (vs.£4.8m H1 last year)and profits of perhaps £0.25m (£0.75m).

As there is £3.2m net cash to spend on acquisitions, Savile is still in a strong position, the cost cutting drive will be doing a lot of good and it is clear that this disappointment has come as a wake-up call to management. Savile Group shares have, however, lost their premium rating, and at this level we would guess management is more likely to make further share buy-ins than issue its paper for acquisitions.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Declared EPS	Adjusted EPS	P/E	Divi	Yield
June	£m	£m	£m	p.	p.	X	P	%
2008A	7.0	0.72	0.90	4.5	6.0	6.2	0	0
2009A	10.4	1.85	1.85	8.5	8.5	4.4	2.25	6.0
2010E	9.5	1.00	1.00	3.8	4.0	9.4	2.30	6.1
2011E	No forecasts							

Savile Group

14 January 2010

Management	Major Shareholders
Executive Chairman: Jonathan Cohen	**Peter Conroy**: 10.8%
Chief Financial Officer: Mark Sidlin	**Jonathan Cohen**: 9.9%
CEO, Fairplace: Michael Moran	**Linda Jackson**: 4.9%
CEO, CEDAR: Cindy Mahoney	**Michael Moran** 3.5%
CEO. IDDAS: Helen Pitcher	
Non-Executive Director: Peter Conroy	
Non-Executive Director: Lord Freeman	
Non-Executive Director: Alex Wilson	

Key Dates	Key Milestones
Interim Results: Mid February 2010.	**February 2007**: Jonathan Cohen and Peter Evans appointed to the Board as Non-Executive Directors and subsequently as Executive Chairman and Chief Executive respectively.
General Meeting: March 2010, to cancel 0.9m shares currently held in Treasury, in order to enable further share buy-ins to take place.	**May 2007**: Loss-making Italian subsidiary sold.
	September 2007: Talent management company CEDAR purchased.
	April 2008: High level West-End mentoring company IDDAS purchased.
	September 2008: Advisory Board chaired by Lord Freeman established to provide the group with strategic and market-related advice.
	September 2009: Dividend of 2.25p/share declared, the first in five years.
	October 2009. Finncap replaces Arbuthnot as NOMAD and broker.
	November 2009. £1.8m institutional equity raising at 67p/share. No pre-emption rights.

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