

Group Chief Executive's review

Review of operations



We remain well positioned with a strong balance sheet to continue our strategy of building the business and pursuing selected investment opportunities should they arise.

Jeremy Helsby
Group Chief Executive

2009 operating highlights

- Strong second half performance from Asia Pacific Transactional business.
- Strong performance from UK Residential business.
- UK Commercial business strengthened in fourth quarter.
- Cost savings of £62m achieved in the year.

2009 was a year of two very different halves. In the first six months, we faced very difficult markets realising a small underlying profit before tax (PBT) of £2.5m. This was no small achievement in the context of the most difficult market conditions experienced for decades. By contrast we benefited significantly from the second half market rally, particularly in the UK residential and Asia Pacific markets, which are two of Savills great areas of strength, to post an underlying PBT of £25.2m for the full year (2008: £33.2m). The 24% decline in annual profits masks the relative strength of Savills second half performance, which saw a 62% growth in profit over the comparable period of 2008.

Savills geographic and business diversity helped deliver this resilient performance and it is interesting to reflect that we derived nearly 38% of our revenue from the exciting markets of the Asia Pacific region whilst UK residential agency, despite a very strong performance this year, represented 13% of the Group's revenue. Indeed worldwide, property management, much of it in Asia Pacific, now represents 38% of our revenue.

I am delighted with these results which were achieved not just through rallies in certain markets but also through the hard work of all our staff, and significantly the effectiveness of the cost saving efforts of our teams around the world. Collectively they realised approximately £62m in gross savings during the period. The overall result was also underpinned by the continued strong performance of our less cyclical businesses.

This is the effect of our strategy in action. In our chosen businesses and locations we constantly seek to serve our clients better than our competitors. We also benefit from the geographic spread of businesses and the stability of our business model where property management, fund management and consultancy services provide us with more predictable and secure earnings. These allow us to support our more cyclical transaction advisory teams during lean times in order to secure our operational capacity to perform well as markets recover.

This level of performance has not been easy to achieve and it is a testament to the robustness and flexibility of the Savills business model, the quality and loyalty of our clients and the unstinting professionalism, hard work and focus of our people in serving them.

People

During these difficult market conditions, we have continued to focus on retaining and incentivising our people. We have also selectively built our business by recruiting high quality individuals and teams who have been attracted by our entrepreneurial culture and financial strength. We have successfully recruited across the business to meet our requirements in a range of locations and services, from real estate investment services in New York and Tokyo, to housing consultancy in the UK and property management in China.

Awards

I am delighted that the quality of our work and the strength of the Savills brand have been recognised with a number of awards. In the 2009 Business Superbrand table Savills was again ranked the number one Superbrand in the UK Real Estate Sector. For the fourth year in a row we were awarded the 'Graduate Employer of Choice' by The Times. In Hong Kong Leaders Choice Brand awards, 2010, Savills earned the name 'Excellent Brand of Global Property Agent'. In Continental Europe, our Spanish business received the award of 'Best Real Estate Consultancy Service Provider'.