

#### Stock Data

Share Price: 1.82p  
Market Cap.: £7.2m  
Shares in issue: 400.4m

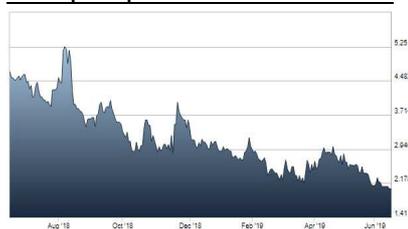
#### Company Profile

Sector: Support Services  
Ticker: FLX.L  
Exchange: AIM

#### Activities

Provider of cyber defence, security and global intelligence services to both commercial and government customers.

#### Share price performance



Source: LSE

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## Falanx Group Ltd

**Falanx has been active on the corporate front during 2019. Following a successful £4.16m fund raising at the end of 2018, where the company attracted significant institutional support to the shareholder base, the company has also strengthened both the board and its team of advisers as it moves into its next phase of development. At the end of March it announced further growth in its third quarter and that its cash balances remained strong and were able to support its next phase of growth.**

In November 2018, Falanx raised £4.155m through the issue of 138.5 million new shares at 3p per share. This cash was earmarked primarily for investment in delivering capabilities around a larger scale deployment into the SolarWinds customer base and has been used to finance additional sales, marketing and operations staff in addition to further investment in technology.

The company also noted that the additional funds would be utilised for incremental sales growth opportunities across the wider group and to increase customer confidence due to Falanx's strengthened balance sheet. The cash also provides the means for the group to make further earnings enhancing acquisitions should opportunities arise.

We note that the subscription for new shares was almost entirely comprised of institutional investors with Octopus VCT, Miton Asset Management and Amati Global Investors in particular taking significant interests in Falanx as part of the fundraise. As it currently stands, we believe that institutional investors and long term VCT funds (including Unicorn VCT who invested in March 18) currently comprise well in excess of 40% of the shareholder base.

In tandem with the institutional support that Falanx has attracted, key members of the management team have also increased their shareholding in the company. In December 2018, February and May 2019, CEO Mike Read acquired tranches of 525,000, 400,000 and 250,000 shares respectively at prices between 2.1p and 2.94p to bring his holding up to 10.65 million shares, representing 2.7% of the company.

At the same time, CFO Ian Selby also acquired a total of 342,681 shares during December 2018 and February 2019 to bring his holding to almost 1.07 million shares, equivalent to 0.27% of the company.

Falanx strengthened the board in March 2019 with the appointment of Alexander Hambro as Non-Executive Chairman. Mr Hambro has over 30 years' experience in the private equity and venture capital management sectors in the US and UK and is a co-founder of and Chairman of Judges Scientific, whose share price has performed very strongly and has increased from 100p to 3,200p since it listed. Mr Hambro held 250,000 Falanx shares purchased prior to his appointment.

In March 2019, Falanx appointed Stifel Nicolaus Europe Limited as the company's nominated adviser and joint broker alongside Turner Pope Investments. This was on the basis that Stifel provides dedicated cyber sector expertise, a transatlantic presence and a full investment banking capability with access to specialist funds that can support Falanx in its next stages of development. At that point Falanx also updated its articles of association to bring them into line with typical UK institutionally backed businesses. We also note that about 26m warrants issued in 2016 expired in May 2019 and this streamlines the capital structure further. The company remains debt free.

Following a periodic review, Falanx also appointed a new auditor, BDO, to the group replacing Kingston Smith LLP after six years. This was driven primarily by BDO possessing strong technology and cyber practices and providing the likelihood of increased financial stringency at a point when major audit issues are prominent in the wider media and therefore a move to a larger audit firm was in line with its overall corporate evolution.

Since establishing a solid institutional shareholder base at the end of 2018, Falanx' executive management team has also demonstrated significant support for the shares. Although news flow on the operational front has been modest in recent months, the company's balance sheet is strong after the last round of fund raising putting the company in a solid position to expedite further growth opportunities over the next 18 months. We look forward to a formal update on Falanx's operational progress at the time of the group's preliminary results expected in July/early August 2019.

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