

#### Stock Data

Share Price: 1.43p  
Market Cap.: £5.7m  
Shares in issue: 400.4m

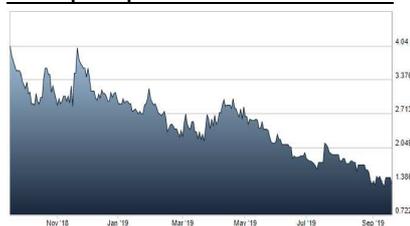
#### Company Profile

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

**Past performance is not an indication of future performance.**

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## Falanx Group Ltd

**Falanx reported a strong increase in sales and a reduction in underlying EBITDA losses in the year to March 2019 driven by the integration of acquisitions completed in 2018 and increased levels of monthly recurring revenue. Against a market backdrop of a rapidly growing cyber security market, the company is witnessing continued growth in the current year buoyed by a growing sales pipeline.**

Revenue increased by 73% to £5.2m driven primarily by the integration of First Base which was acquired in March 2018. Within this, recurring revenue represented 56% (2018: 62%) and monthly recurring sales were £0.24m in 2019 against £0.19m in 2018. The majority of sales growth was from monitoring contracts and managed Cyber services in line with the board's strategy to focus on higher quality revenue streams.

The gross margin increased to 44% in 2019 from 31% in 2018 as a function of a favourable revenue mix. Administration expenses before depreciation and amortisation increased from £2.5m to £3.5m as group infrastructure and headcount grew reflecting the integration of acquisitions over the last 18 months. The adjusted EBITDA loss before exceptional items was £1.25m compared to £1.6m in 2018 and Falanx reported a headline loss of £1.86m, down from £2.0m in the previous period. The balance sheet is debt free with cash of £2.4m at the end of March 2019 following a successful £4.155m institutional fund raising in November 2018.

Falanx's core division, Cyber was boosted by the integration of First Base and Securestorm and revenue increased from £1.1m in 2018 to £3.6m. The gross margin also expanded from 19% to 49% moving the division from an underlying segmental EBITDA loss of almost £1.0m in 2018 to a positive position of £0.05m in 2019.

The acquisitions of first Base and Securestorm in 2018 have provided Cyber with a wider portfolio of service offerings and the company also expects that growth from its partnership with SolarWinds will be delivered over the second half of the current year to March 2020. SolarWinds has appointed Falanx as one of its first TMSP (threat monitoring service provider) in the UK, Europe and South Africa, creating a significant opportunity for Falanx to access SolarWind's customer base and grow its 'channel' sales driven business model.

Falanx Intelligence (Assynt) reported a reduction in revenue from £1.89m in 2018 to £1.64m in 2019 as a function of the company's decision to focus on higher quality recurring sales and away from one off 'spot' revenue. This adjustment implied an adjusted EBITDA loss of £0.05m in 2019 compared to a profit of £0.26m in 2018. However, this rebalancing has led to a stronger H2 and a much improved monthly recurring revenue run rate which is expected to continue in 2020.

Falanx Technologies has continued to develop proprietary technology and to integrate third party technologies to support Falanx Cyber's business lines including MDR (formerly MidGARD) and also professional services including Penetration Testing, Awareness and Consultancy. In this regard, Falanx has noted that many customers have now migrated from 'on-premise' services to a cloud-based service model. Consequently, Falanx has successfully delivered its in-house CASB (Cloud Application Security Broker) capability which has the potential to allow users to reduce costs and improve security levels further.

**Trading over the first four months is in line with the management's expectations with professional services in Cyber up by 10% compared to the previous year. The company has secured new premises in Reading to accommodate this growth and the current investment in sales capacity is almost complete. With the strengthened management team anticipating the SolarWinds strategic partnership to start to bring benefits in H2 2020, Falanx remains confident of continued momentum in the current year.**

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