

**Stock Data**

Share Price: 0.57p  
Market Cap.: £2.3m  
Shares in issue: 400.4m

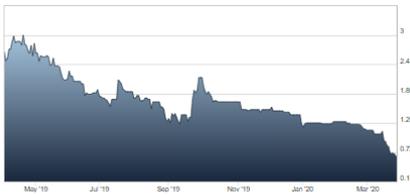
**Company Profile**

Sector: Support Services  
Ticker: FLXL  
Exchange: AIM

**Activities**

Falanx Group Limited ('Falanx', 'the Group') provides 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 has provided investors with a pre-close trading update, along with a statement regarding the impact from, and the Group's commercial response to, the ongoing global COVID-19 crisis. Not only does this highlight improvement in its pre-Pandemic order intake, but also opportunity created through an anticipated long-term rise in home-based working.**

## Trading for the year ended 31 March 2020

December 2019 and the first six weeks of the 4Q 2019/20 saw Falanx experienced strong trading with c.£1m of significant new orders received by its Cyber division. This result is significant, given that it is considered to be in addition to the usual run-rate of the cyber business and results from new high-profile customer wins as well as incremental spend by existing customers. Furthermore, the Group also experienced good opportunities in cross-selling new services to its existing Penetration Test or Manage, Detect and Respond ('MDR') customers. These new customer wins (the majority of the revenue for which are expected to be recognised in the next financial year), combined with much stronger recurring revenues in the Assynt strategic intelligence division, have resulted in the Board expecting to deliver revenues of c.£5.9m for the year ended 31 March 2020, representing growth of 13% on the previous period.

## An effective response to the COVID-19 Pandemic

While the COVID-19 crisis has begun to significantly impact the global economy, it has also been seen to play to the strengths of Falanx's business model. It has already been widely reported that the move to homeworking necessitated by the Pandemic can be expected to increase the vulnerability of all organisations to Cyber-attacks. An article published by the [National Cyber Security Centre \('NCSC'\) on 17 March 2020](#), for example, highlighted this point. Yet discussions with Falanx's customer base have indicated that not only do they recognise this threat, but that they also expect to resume spending on cyber security-related measures once they move away from their immediate crisis planning, and their home-based working infrastructure has 'bedded-in'. As such, the Group's Cyber division has already put together a '[Rapid Response](#)' set of measures for newly-distributed networks of home workers. Indeed, anticipating one of the outcomes of the Pandemic to be a long-term, step increase in the proportion of future on-line work that can and will be carried out away from a normal office environment, Falanx is demonstrating its ability to remain 'ahead of the curve' while also increasing customer dependence on its systems/facilities.

## Taking Steps to Preserve Cash

Cash at half-year to end-September 2019 was £708k (H1 2018: £69k), with receivables of £1.76m (H1 2018: £1.18m); December's interim results also suggested the receivables balance reduced post-period by c.£0.2m and collections were said to have remained strong. Given the relatively limited visibility this provides, and the uncertainty created by the Pandemic as customers adjust to potentially significant changes to their working practices, in common with many other businesses, the Group has implemented, or is in the process of implementing, measures designed to support its balance sheet and expected cash performance over the next few months. These include voluntary salary sacrifices by certain directors, management and staff along with compensation proposals for those participating through the issuance of new share options priced at 1 penny per share, a premium of 75% to yesterday's closing price. Other measures also include reductions in property and overhead costs, near elimination of capex and discretionary spending together with the use of existing but undrawn banking facilities.

Since mid-2018, Falanx Assynt has moved away from spot revenues to more predictable monthly recurring income, which now represents c.95% of its total. During the H1 2018/19, the division also commenced several new, large, long-term contracts, predominantly outside the UK, which in recent months had allowed it to move into sustainable profitability. This division is producing regular reports on COVID-19 and its impact on the geopolitical situation. The recent Furnace divisional sale eliminated certain future funding liabilities, while allowing management to focus on core operations. A strong pipeline of opportunities, including much larger potential service deals together with proposals to capitalise on increasing future levels of home-based working could significantly bolster prospective activity levels. Recent measures announced by the UK Government should provide important short-term support, while a solid base of recurring revenues (c.£3m per annum) is expected to provide some resilience during the uncertain months to come.

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