

Stock Data

Share Price:	1.13p
Market Cap.:	£4.52m
Shares in issue:	400.4m

Company Profile

Sector:	Support Services
Ticker:	FLX
Exchange:	AIM

Activities

Falanx Group Limited ('Falanx', 'the Group') provides cyber defence, security and global intelligence services to both commercial and government customers.

Website: <https://falanx.com/>

1-year 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 [trading update](#) for its year ended 31 March 2020, together with a Q1 2020/21 update. Broadly in line with expectations set out in its pre-close statement released on [31 March 2020](#), the Group expects to report revenues for the period of c.£5.8m (2019: £5.2m). Based on this, the completion of a substantial cost reduction exercise including successful transfer of many of Group staff to remote working, the first quarter of the new financial year saw overall unaudited EBITDA losses reduce by c.60% despite coinciding with the peak of the UK's COVID-19 Pandemic. Retaining a strong balance sheet and with the current year presently sustaining a c.5% year-on-year revenue improvement, TPI considers Falanx has potential to deliver a positive operating profit for 2020/21. The Board will possibly provide more detail regarding such expectations with the anticipated release of its 2019/20 results which is now scheduled for September.

Increasing demand for Cyber security and strategic intelligence

The Group's Cyber division had a successful year to end-March 2020, winning 42 new customers. Following the virtually inevitable COVID-19 related hit to sales during the opening two months of the new financial year, from June onwards organisations responded positively to Cyber security issues related to staff working from home and the higher risk this introduces. The Board has confirmed that the subsequently improved level of activity/enquiries continued into the second quarter of 2020/21, with revenues c.5% ahead of the comparable period while also boasting a strong pipeline of potential business.

Falanx Assynt, the Group's strategic intelligence division, also benefitted from its rollout of a number of major non-domestic contracts. With monthly recurring revenues comprising c.94% of its total, Assynt this year has consistently traded profitably on the back contracts with global enterprises.

Cost reductions delivering an improved operating performance

With a portion of staff furloughed while others were successfully moved to a remote home-working environment, in July 2020 the Group was able to exit leased premises in Sussex and London, leaving just the Group HQ offices in Reading. The overall result has been for total monthly expenditure (cost of sales, capex, exceptional & opex) to be reduced each month by approximately 30% compared with 2019/20. Importantly, this means that Falanx's average monthly revenues in the final six months of its year ended 31 March 2020 exceeded the current monthly cost base at the operating level. Having completed the bulk of its investment programme during 2019, along with the sale of its loss-making Cloud technology platform in December 2019, despite the impact of the Pandemic the Group's overall EBITDA loss in Q1 2020/21 was reduced by 60%. This bodes well for delivery of a significant improvement in the Group's operating performance this year.

Focused on core activities and profitability

The past two years have seen Falanx's Board successfully address a number of operational and cost issues while eliminating funding liabilities. Refocused on its core activities, Assynt has moved away from spot revenues to more predictable recurring income streams (now amounting to c.£3m per annum) following the addition of large, long-term contracts, which have been sufficient to move it into sustainable profitability in recent months. The strong pipeline of opportunities also generated by employers recognising that the recent shift toward much higher levels of home working is likely to become a semi-permanent issue, has further boosted the Group's revenue visibility and opportunity.

Building on international reputation

Building on its reputation, the Group has recently been recognised by [Chambers & Partners](#), a major international law firm, as one of the leading global political risk advisory firms in the UK. Such endorsements tend to be valuable in terms of building reputations as well as attracting and retaining business with major/international users of the service.

Chambers [notes on its website](#) that 'Falanx Assynt has evolved into an intelligence agency able to provide information pertaining to many other markets, such as South-East Asia, the CIS and Africa. The firm's offering consists of a comprehensive subscription-based report and bespoke geopolitical intelligence projects, as well as the option of providing an embedded analyst at a client's site'.

Balance sheet remains well supported

Following favourable working capital movements, as of 30 June 2020 the Group's cash balance stood at £0.75m.

Significantly also, customer payments, debtors and creditors (including HMRC) presently remain within agreed terms, while banking facilities of up to an additional £0.5m are unused.

Enhancing the Group product offering

Falanx Cyber has also announced today its launch of an enhancement to its Managed Detection and Response ('MDR') service, known as Triarii.

Cyber's technological platform permits customers benefit from a managed service, as opposed to being required to acquire and deploying the facilities independently, saving time and costs while avoiding the necessary operational training to interpret and integrate the output being collected. Triarii has been created using a combination of best of breed and enterprise-class external components. Its service delivers superior capabilities designed to enhance the Group's MDR service in order to ensure it remains market-leader in all respects at a competitive price point. This supports the Group's mantra of offering 'enterprise-class security solutions to all businesses, whatever the size'.

Following successful trials, the Group's largest partners are showing significant interest in Triarii with a view of deploying it into their customer bases. This potentially provides a robust pipeline of opportunities for the new service. This pipeline includes the previously announced SolarWinds channel, which has accepted the Triarii service for use within its community, having been invited to join their Technology Alliance Partner Program, which makes third-party solutions available to all of its MSP partners.

In conjunction with the introduction of the service, the Group will shortly be launching its new website to promote and inform customers as to the value of all Falanx Cyber services, including Triarii. Nearer-term a brief explanation for covering its products is available at: <https://falanxcyber.com/triarii-register-your-interest/>.

Notice of Results

Falanx had originally scheduled its full year results release for July 2020. Subsequent COVID-19 complications, however, meant that the logistical process of the audit with BDO LLP, which currently remains underway, means that it now expects to release them towards the end of September 2020. The Board notes that it will continue to monitor this timeline and update as necessary.

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