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Research Note on Visionstate Corp. (TSXV: VIS)



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SUMMARY

Visionstate Corp. (VIS) is a tech company and conglomerate in various industries. That includes cannabis and solar divisions where I think they use them primarily as test cases for its WANDA™ IoT tech. These are mostly side businesses as the main focus is on facilities management and inventory tracking through WANDA™. Management has talked enough about the technology where I have reasonable belief that it works and is a superior and sellable solution. On one of the calls I attended, management claimed that the tool was robust enough in inventory management that it was used as evidence in a court case.

I have been an investor for a while now and I'm on good terms with leadership. I have close contact with the IR rep, Cathy Hume and I have met CEO John Putters several times. The President Shannon Moore is a new addition to the team and what she has said so far regarding sales and marketing is what has reinvigorated me on this investment. Putters admits that he is more of a tech guy and he hasn't done a good job in marketing and pricing. Therefore, up to now the sales have been lousy and the company hasn't pulled a profit consistently, and overall is still cash flow negative.

Up until last year the WANDA™ solution was tablet-based. So any contract, let's say with a university, would require a lot of equipment sales. That would require maybe a million dollars in upfront cost to install dozens of devices across a campus. VIS wouldn't even make any money on the device sales. When companies or public entities like schools are on a budget, this type of upfront cost is obviously a hard sell. Now they have improved the WANDA™ solution so that it's app-based and no longer needs the tablets. Little to no upfront cost necessary. The tablet option is still available in case a client specifically asks for it.

That's why they brought in Shannon Moore, as she is the sales and marketing expert, and they are finally ready to market and sell this solution at good prices and margins to

Visionstate. I already like what she has said regarding pricing and long-term contracts.

Stock Price: \$0.02
Shares Outstanding: 120 million
Market Cap: \$2.4 million
Warrants: 59 million at an average strike price of \$0.07
Fully Diluted Shares: 179 million

OPPORTUNITY

Buy shares in the private placement. \$0.02 with \$0.05 two-year warrants. I have already committed to one million units with potential for more based on my personal liquidity situation and amount remaining open by the time it closes.

Buy in open market. Paying likely \$0.02 or \$0.025 for shares. I prefer to buy into the PP since I have no problems holding onto this for four months. Plus it's already at such a low price. It would be hard to tank this stock price much more once the shares are free trading.

Business development. Any type of commercial real estate, hospital, school board or similar type of entity that is looking to deploy this type of facilities management solution across their buildings. Visionstate has an agreement with Bunzl for sales and distribution. I'm unsure if that agreement covers all global markets, but if it doesn't, the possibility exists to set up distribution agreements in regions where you have connections. The Visionstate team is small and focused on North America so I think they would be open to a distribution model or JV in areas where they license the tech and the operating partner takes care of sales and operations.

KEY LINKS/RESOURCES

Last news release about a sale in a school division. It gives a good overview of what WANDA™ is and the business model:

[https://money.tmx.com/en/quote/VIS/news/5953118099662218/Visionstates_WANDA_De-
ployed_to_School_Division_Demonstrates_Versatility_of_Facility_Management_App](https://money.tmx.com/en/quote/VIS/news/5953118099662218/Visionstates_WANDA_De-
ployed_to_School_Division_Demonstrates_Versatility_of_Facility_Management_App)

Latest investor presentation

<https://chfcapital.com/cms/wp-content/uploads/WAN-DA-Product-Presentation-February-2023.pdf>

ANALYSIS

It's impossible and pointless to come up with a valuation based on current numbers. A buy right now is a bet on the technology and Moore's ability to market and sell it. The company's revenue has been very inconsistent quarter to quarter and most quarters show a net loss. The one consistent strong point is that gross margins are biotech-like as the company has already taken the depreciation hit on its technology in the past. The main challenge is actually scaling the revenue.

In the investor presentation, the company has provided the following projections:

Visionstate Pro-Forma Projections 2022 - 2027							
	2022	2023	2024	2025	2026	2027	Bluesky
WandaMOBILE Licenses	2100	2,500	5,000	7,000	10,000	15,000	50,000
Wanda Tablets	41	41	49	59	71	85	250
Revenue							
WandaMOBILE	\$ 306,885	\$ 748,500	\$ 2,245,500	\$ 4,341,300	\$ 7,335,300	\$ 11,826,300	\$ 14,970,000
Wanda Tablets	\$ 12,300	\$ 12,300	\$ 14,760	\$ 17,712	\$ 21,254	\$ 25,505	\$ 75,000
Contract development	\$ 16,500						
Bunzl retainer	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Kingston MC RFID projects	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Facility activation fee	\$ 12,500	\$ 12,500	\$ 25,000	\$ 40,000	\$ 57,500	\$ 77,500	\$ 97,500
Existing recurring revenue	\$ 52,000	\$ 52,000	\$ 52,000	\$ 52,000	\$ 52,000	\$ 52,000	\$ 52,000
Total Revenue	\$ 550,185	\$ 975,300	\$ 2,487,260	\$ 4,601,012	\$ 7,616,054	\$ 12,131,305	\$ 15,344,500
Expenses							
Selling, general & admin	\$ 720,000	\$ 720,000	\$ 780,000	\$ 780,000	\$ 840,000	\$ 840,000	\$ 840,000
Total Expenses	\$ 720,000	\$ 720,000	\$ 780,000	\$ 780,000	\$ 840,000	\$ 840,000	\$ 840,000
Profit/Loss	-\$ 169,815	\$ 255,300	\$ 1,707,260	\$ 3,821,012	\$ 6,776,054	\$ 11,291,305	\$ 14,504,500
EPS (Earnings Per Share)			\$ 0.02	\$ 0.04	\$ 0.07	\$ 0.11	\$ 0.15
PE: 1:10			\$ 0.17	\$ 0.38	\$ 0.68	\$ 1.13	\$ 1.45
WandaMOBILE	\$ 24.95	Monthly					
Wanda Tablets	\$ 300	Per unit					

Recognizing that projections for a start up is very difficult. The revenue growth through 2025 is honestly not that impressive (but flip side, we can say it's quite achievable). It's the high margins and very low opex that is going to drive value for this company. Note that the company is lean and expects to remain so, with very little opex growth despite revenue snowballing in the outer years.

If the company can achieve profitability on \$1 million in revenue as claimed for 2023, the numbers going forward have credibility. Realistically with all the warrants being exercised and this capital raise, shares outstanding will be close to 200 million in 2025. A \$4 million net income will result in a \$0.02 EPS. A 10x multiple would lead to \$0.20. If we consider that has a 25% chance of happening based on what we know in February 2023, a \$0.05 target is fair. However, if 2023 numbers do come within the ballpark of these projections, that chance climbs to at least 75% and we are looking at a fair target of \$0.15 for early 2024.

In a good case scenario, each quarterly report shows evidence that the new product offerings, growing client base and higher pricing result in substantially improved financial reports. I'd expect a \$0.05 stock price upon first signs of life with that gradually increasing to \$0.15 with each quarterly improvement. In a bad case scenario the stock languishes at \$0.02, but I don't see too much downside remaining at these prices and considering that the company is making an honest effort to greatly enhance its financial performance. Because VIS is a very individual story-based stock and with such a small market cap, I don't see the general small cap market impacting it much relative to other stocks. VIS will live or die on its individual results, as opposed to, say, a lithium explorer, which is subject to the ebbs and flows of the sentiment on the lithium sector. Or even a company like PKK, which while obviously has its own issues and reasons for dropping over 90% from 2021 highs, still tracks closely to sentiment on larger fintech peers like UPST.

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