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## Research Note on Visionstate Corp. (TSXV: VIS)



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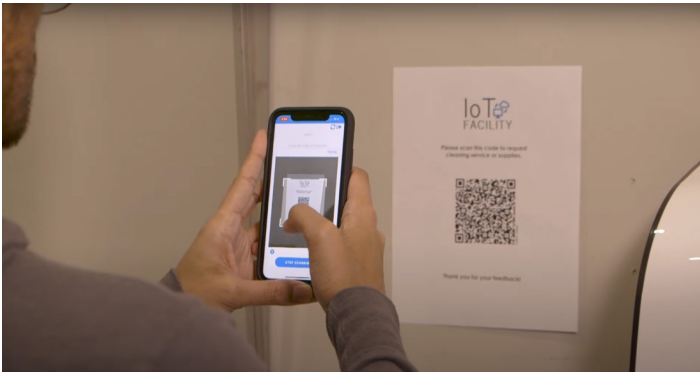
### **Visionstate: I am Convinced that WANDA™ can Sell, and I am Going to do Everything in My Power to Make Sure that it Does**

I consider myself to be an activist investor. A necessity, in my opinion, when investing in small cap stocks. As an activist investor, I don't just sit on my hands and hope and pray or solely dive into the financials and find undervalued opportunities (although sometimes I do that as a value investor). I buy a stock, then find ways to help the company improve. I don't just mean talking up the stock price, I mean actual business development that results in sales or some other form of revenue or exit. I'll admit, it's not always a fruitful endeavour as roadblocks can be found, including stubborn or lazy management teams. At the least, when you do this type of investing, you get to know which companies are run by clowns and know to not hold the stock.

Visionstate is one company that I have owned for a while and talked a bit about in the past. I stepped up my position size considerably this year, sacrificing other private placement opportunities so I could load up as much as possible in multiple rounds of financing at \$0.02 this year. On Visionstate's website, you can see a report I did earlier in the year where I thought \$0.05 was a fair target for the company, with an upside potential of \$0.20. My investment thesis was predicated on a high margin that didn't take a lot of revenue to result in net profits and confidence in that newly added President Shannon Moore would be able to lead revenue growth. I knew WANDA™ as a facilities management app that had some utility in optimizing operations, saving on employee costs and collecting data, but I didn't really know the details behind it and left it at that.



This all changed last week as I went through a WANDA™ demo presented by Shannon as part of my efforts as an activist investor. WANDA™ isn't just a facilities management platform, although it was designed with that original intent in mind. It's far more agnostic and versatile than that. The way I can best describe WANDA™ that fully encapsulates what I think it can do is as follows. It's a platform for any kind of work-related or public-oriented event that is based off a checklist of tasks and could benefit from the data generated through the



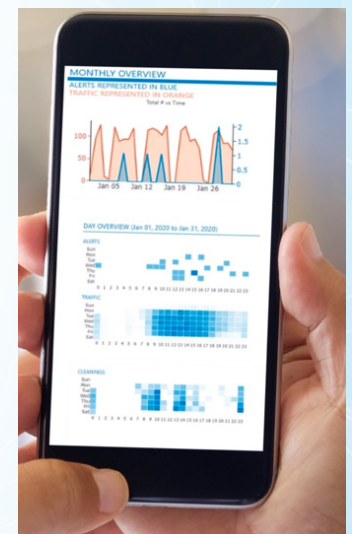
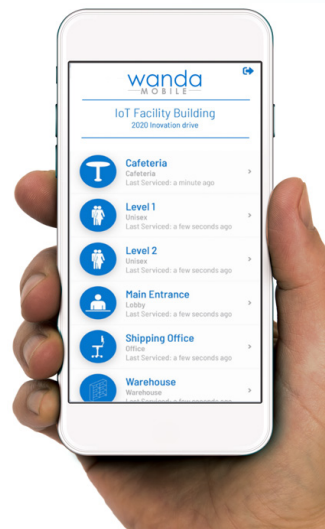
processing and logging of those tasks. Tasks that need to be completed and tracked, but without prompting from an app, may be forgotten – or completed but forgotten to be marked as complete – due to human error.

What do I mean by this? I'll give a simple example. Let's say you leave your house for an extended period of time, and you are going through a checklist of items you have to do to ensure the safety of your home while gone: Did I lock all the doors and windows? Did I check that the stove and other appliances are off? Did I water the plants? Did I turn down the furnace? Did I turn off the water supply? Did I turn on the alarm system? All that stuff could be inputted into the checklist of tasks under WANDA™ and if one item was missed, your wife would be alerted that her husband forgot something so she can prompt him to do it before he leaves. Or remind him to mark the task as complete if it was completed but just not marked as so. Now WANDA™ won't be used in this way any time soon since it's being marketed in an enterprise environment, not for individual use. This fictitious example was a way to get people to understand what WANDA™ is capable of, without seeing a demo themselves. In my example, it assumes that the husband is acting honestly and in good faith by marking tasks as complete when completed. There are ways to expose dishonest actors using the platform so that this isn't a risk.

WANDA™ has three basic components. The customer or public-facing QR code, the individual employee platform (the "husband" section in the example above) and the management platform (the "wife" section in the example above). To explain the app further, I am going to use an example of public washrooms in a commercial setting. When in a public washroom, people may recall that each one generally has a sheet near the entrance which is checked by the custodian at certain intervals throughout the day. Under WANDA™, this is replaced by a QR code where users of the washroom can alert management if there is an issue such as the shortage

of materials, or if something needs upkeep. The user doesn't need to download any app nor leave any personal information nor is their phone tracked in any way. Privacy issues or phone hacking won't be of any concern. However, I know that when presented a QR code in a public washroom, I wouldn't bother pinging management even if I saw there was an issue, as will many others. So this isn't a foolproof solution. However, the WANDA™ system has an easy workaround which comes with use and analysis of data patterns. It's likely that someone will eventually ping the QR code if an issue arises. And if no one does, the custodian responsible for scheduled maintenance will eventually discover the issue. If management sees a continued pattern for this location where issues arise but no one bothers to use the QR code, they can either increase the maintenance schedule or order the IOT beacon service available for WANDA™. So that if there is something amiss, the system gets pinged without a member of the public having to do it. The entire set up and marketing of WANDA™ is to make it possible for management to find the path of least resistance in managing their facilities. This product sells itself once people know what it is.

The second component is the WANDA™ app on the employees' phones. It's a straightforward UI that displays the tasks to be completed for each janitor. The employee captures the QR code in the specified area where the to-do list is then shown. Once each task is completed, the employee then marks it as such and a timestamped report is sent to the manager. There really is nothing more to this section. It's a very simple to use platform that I think will improve employee morale, as much as a janitor's morale can be improved. It will reduce mistakes and misunderstandings as the number and hierarchy of tasks are made very clear.



Finally, the most complex part of the WANDA™ platform is the app overseen by the manager of the commercial or public space. The manager receives timestamps of completed tasks by the employees as well as any reports from the public. This is where important decisions can be made. If an area is constantly being cleaned but there are never any reports or shortages or needed upkeep made by the public, maybe it's prudent to service that area less often. On the flip side, if there is an area that consistently gets requests from the public, it may need more frequent upkeep or an investigation if the custodian in charge is doing a good enough job. After a while, the data generated creates a trend that can then lead to better decisions made by the organization. Not just its cleaning practices, but decisions that can impact all facets of the organization. For instance, this data can be used to determine foot traffic trends in a mall based on washroom usage. If the washrooms are used 50% more on a Saturday than a Tuesday, but Saturday generates only 25% more sales than Tuesday, managers can investigate why there is a relatively higher amount of window shoppers on Saturday versus a Tuesday. Perhaps some adjustments to pricing policies, coupons or other spending incentives need to be made. There are foot traffic counting services already in the market, but they don't help you with facilities management. WANDA™ has the potential to be an all-in-one people tracking and management solution for places like malls.

Another key benefit of WANDA™ is the logging for legal liability purposes. Let's say someone gets injured in a building and blames poor upkeep for the slip and fall. WANDA™ tracking logs can be and have already been used in legal defense to prove that the company was taking correct precautions to ensure the safety of the public. Finally, Visionstate has access to the aggregate data of its clients. This can result in regional or national data on a wide variety of events or outcomes that could hold substantial economic value or improve government policy. It can't be understated how much data generated should WANDA™ be implemented at a wide enough scale could be worth.

I view the health care industry as a prime target for WANDA™ as it lives off procedures and checklists. In Ontario, there has been a lot of issues exposed in long-term care homes about the quality of life and the unnecessary deaths of seniors under their care. If WANDA™ was implemented and a central authority appointed to oversee the management

of the platform, many of those problems would disappear as weaknesses or corners cut would be found or exposed before large scale problems arise.

A commercial example where I think WANDA™ can thrive would be at hotels, motels or resorts. If a guest is missing something in their room or desiring a service, instead of having to call up the front lobby or room service, a QR code in the room allows them to instantly select the needed item or desired service. Unlike public washrooms, I absolutely would use a QR code in a hotel room rather than call reception, and I can imagine many other people would feel the same. WANDA™ can also be used in vehicles for the tracking or upkeep of fleet. And again, if any customer using WANDA™ requires instant IOT services as opposed to customer-driven requests made through the QR code, the only thing needed would be sensors. Beacons are basically commoditized, and WANDA™ can be used with any number of them.

The strong market for WANDA™ is what makes Visionstate a speculative buy with extremely high upside. What's the catch? Revenue per client isn't going to be that high. Based on current pricing, I estimate annual revenue per client to be in the \$5000 per year range. There isn't going to be \$20 million contracts signed to accelerate revenue overnight. It's going to be a long grind of adding client by client before the company starts seeing 7-digit revenue quarters. However, since WANDA™ is so cheap to the client and so versatile and useful, I think it will be easy to sell. Not just in the markets that Visionstate and its sales partner Bunzl are targeting, but globally. That's why as an activist investor, I am exploring every angle I can think of and using my network to my fullest extent to try to expediate that process. Whether I am successful or not, it remains to be seen. But I feel good in being able to personally impact the success of my investment.

Disclosure: I am long VIS.V

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