

2 Little-Known Microcap Stocks Poised to Explode in 2022...

COMPANY #1: VISION MARINE TECHNOLOGIES (VMAR)

Vision Marine Technologies (VMAR) IPO-ed on the Nasdaq in late November 2020, but due to a mix of COVID-related challenges and, frankly, a lack of investor awareness, the company's stock has drifted from a high of near \$18 to near \$4.

If you're unfamiliar with electric boats, don't fret. It's a market that's still in its infancy. But it wasn't so long ago that we would've said the same thing about Tesla and the electric car market!

You can see how quickly investors have embraced the rush to electric vehicles by the market caps of the major EV players: Tesla at \$915 billion, Lucid at \$30 billion, and Rivian at \$28 billion. With the global recreational boat market projected to reach \$23.6 billion by 2027, I think it's about time we take a hard look at electric boats too!

And don't forget the government's push to go green. Electric cars aren't the only EVs state, and federal governments are looking to endorse.

In its literature, the company points out that with cities and local municipalities beginning to ban or restrict the use of gasoline and diesel-powered boats from local lakes and rivers, the time for boating enthusiasts to embrace a greener option is now.

Now, before I tell you about VMAR's fully-electric powertrain system and its enormous addressable market, we need to talk numbers.

Vision Marine Technologies, Inc.



Source: Barchart.com

Financial Stability in an Unstable Market

With more than \$7.5 million in cash, virtually no long-term debt, and a pathway to positive cash flow, risk-minded investors can find a lot to like in Vision Marine's financials.

I want you to think about that cash figure for a moment.

With \$7.5 million in the bank as of February 2022, more than 20% of the company's market cap comprises cold, hard cash. And while the company did burn through \$3.3 million in its most recent quarter, management believes a

transition to positive free cash flow is within arm's reach, potentially as soon as year-end.

As far as the company's share structure is concerned, with roughly 8.3 million shares outstanding and options, priced between \$2.07 and \$2.76, representing an additional 964,000 outstanding shares, I definitely consider Vision Marine to have a tight share structure.

Now, while it's easy to understand the value of a \$37 million company with \$7.5 million sitting in cash and no meaningful amount of long-term debt, you might not be clear on what a tight share structure means.

With a fully diluted (shares outstanding and existing options) share structure of around 9.25 million shares, and no significant outstanding warrants, the first whiff of increased business momentum or strong revenue growth will likely send the company's shares higher.

It doesn't take a significant investment to send a stock soaring when there are so few shares outstanding.

Vision Marine's Secret Sauce

Before I tell you about VMAR's growth engine — its electric powertrain systems — I need to tell you about the company's boat manufacturing and rental divisions quickly.

To be clear, I'm going to gloss over these divisions, but not because they're poorly run or losing money. Quite the opposite, their rental division is very profitable.

But here's what you need to understand...

I'm not interested in what VMAR can accomplish over the next few years based solely on renting its boats. I want explosive potential. And for that, the company needs to achieve its goal of becoming a major supplier of electric powertrain systems to boat manufacturers.

As far as VMAR's rental division is concerned, the company's Newport Beach, CA division reported an incredible \$4.33 million from a single facility in 2021. And based on that success, the company has decided to expand its operations in Florida.

And look, I'm thrilled that VMAR can generate more than \$4 million from renting boats. Frankly, that's free cash flow that can help fund the electric

powertrain systems unit. But at the end of the day, what will turn this company into a fantastic investment is if it can lock up even a tiny portion of the domestic boat market with its electric motors.

So, what's a powertrain system?

According to Vision Marine, "a powertrain system is a vehicle's infrastructure that converts energy into movement. In an electric boat, that infrastructure starts at the battery pack, continues with an inverter, goes to the motor, and ends with the propeller."

VMAR's E-Motion engine is efficient, easy to maintain, and inexpensive to charge. But unless you're familiar with boat motors, you'll probably miss the part about the company's powertrain being 94% efficient.

And I wish the company highlighted that its 94% efficiency far surpasses the 54% efficiency rating recorded from its principal competitor's powertrain technology.

Here's some more specialty insight for you from the folks at Vision Marine.

**FULLY ELECTRIC POWERTRAIN
GROUNDBREAKING DISRUPTIVE TECHNOLOGY AND IP**

E-Motion powertrain technology provides what we believe to be the only truly disruptive series production high powered electric outboard system for watercraft that offers exceptional performance otherwise not available within the industry.

It is a complete integrated propulsion and energy management system perfectly suitable for demanding recreational boaters.

- Efficient - massive fuel savings**
The first fully-electric 180hp integrated outboard system that offers exceptional performance.
- Proprietary union assembly**
Proprietary union assembly between the transmission and the electric motor design.
- Robust demand**
188 pre-order units for upcoming 12 months; 1,025 through next 3 years.
- Low maintenance cost**
A fully sealed electric outboard motor means there is no oil to check or spark plugs to replace.
- Rapid, inexpensive charging**
No special charging infrastructure or equipment required - regular 110v/220v at all marina locations.

MAXIMUM POWER	180 HP, 135 kW
MAX TORQUE	320 Nm (235 ft. lb)
CONTINUOUS POWER	90 kW
VOLTAGE	650 V
EFFICIENCY	94% @ 8,000 RPM
WEIGHT	41.3 lbs., 188 kg
LITHIUM BATTERY	60-240 kWh
SHAFT LENGTH	5-8L
COOLING	Water-Glycol
CONTROL	Can Bus

**E-MOTION IS THE
WORLD'S FIRST 180HP
ELECTRIC
PROPULSION ENGINE**

“The efficiency of a powertrain system determines the range of a boat on a single battery charge and the speed at which the boat operates.” And as you know, when it comes to boats or cars, today’s consumers want range and speed!

A Multi-Billion Dollar Opportunity

Living in the mountains, I'm more of a skier than a boater. But I don't need to own a boat to appreciate the massive opportunity facing Vision Marine.

In 2018, the National Marine Manufacturers Association (NMMA) estimated the US domestic outboard engine market was worth nearly \$3 billion. They expect the market to explode to around \$17 billion by 2025.

And according to a more recent report from Global Market Insights, Inc, the worldwide addressable recreational boating market is set to surpass \$63 billion by 2026.

Numbers like \$17 billion and \$63 billion are huge.

But when you remember that Vision Marine's market cap is only \$37 million, we're talking about a genuinely enormous market opportunity. Frankly, Vision Marine doesn't need to capture too much of that market for investors to realize a sizable return on an investment in the company's stock.

E-MOTION MARKET OPPORTUNITY

Surging US market growth to US\$17B in 2025

As of 2018, according to NMMA, the US domestic outboard engine market size alone was valued at US\$2.9B and is expected to grow to US\$17B by 2025. The global marine outboard engine market is forecasted to post a CAGR of 7.3% by 2025.

*<https://www.grandviewresearch.com/industry-analysis/outboard-engine-market>

Advancements in Battery Technologies Fuels Growth

Significant and ongoing advancement in battery technology that offers far greater range and significantly higher speed is driving the demand for the electric boat market worldwide. Advantages offered by Vision Marine Technologies™, such as performance, range, noiseless, smokeless, less vibration and less engine maintenance than the traditional ICEs, are fueling growth.



Worldwide Recreational Boating Market size is set to surpass USD \$63 billion by 2026, according to a new research report by Global Market Insights, Inc.

Oh, and before I forget ...

While the company has yet to commercialize its electric powertrains, they have non-binding letters of intent from original equipment manufacturers (OEMs) to purchase over 1,000 powertrains.

And with the projected sales price for the first electric outboard powertrain system coming in at around \$100,000, these LOIs solidify my view that the company's primary growth drive moving forward is its fully electric powertrain.

Potential Flies in the Ointment

An investment in anything carries with it some degree of risk.

With a market cap of only \$37 million, Vision Marine is unquestionably a micro-cap stock. If the company burns through its cash at the current rate for another two quarters, it WILL be in a cash crunch and forced to raise money — potentially at unfavorable rates.

Remember, with the Federal Reserve hiking interest rates, VMAR could be forced to pay a significantly higher interest rate than it would have just six months ago.

Another risk is a recession...

Boats aren't cheap.

And just like the early days of electric vehicles, owning a boat with an electric motor is a luxury. If the economy takes a sharp turn lower due to the Fed's rate hikes or out-of-control inflation, VMAR may struggle to sell its electric powertrains.

A final concern is the ongoing supply chain challenges. We all know the story: The global supply is a hot mess, especially for EV batteries. And frankly, with no indication that the supply chain will improve anytime soon, this could plague the company for a long time.

All these challenges aside, I want you to know that I agreed to be an advisor for the company a few months ago for one simple reason: I believe Vision Marine has the corporate leadership, the technology, and the internal support to become a significant player in the electric boat space.

Suffice to say I own shares of Vision Marine

Boating enthusiasts will transition away from internal combustion engines to electric powertrains.

And with Vision Marine's head start, which I believe could be as much as a couple of years, I think this company can jump to an early lead and set itself up to be an acquisition target for a large boat or engine manufacturer.

COMPANY #2: WONDERFI TECHNOLOGIES INC (WONDF)

Finding the next potential home run in the equities markets became a lot more difficult over the past year. No longer can investors look to companies that are developing technology or products years into the future. A change in sentiment and interest rates will do that. It is tough on all small companies.

When this occurs in the marketplace, it creates the opportunity to find hidden gems, beaten down along with the crowd even as they continue to perform. I believe we've identified one of those gems in WonderFi (WONDF), a \$100 million market cap company operating north of the border.

Wonderfi Technologies, Inc.



WonderFi is a compliant centralized & decentralized financial services company offering a simple, all-in-one user interface.

The company aims to create the leading global platform that unifies and democratizes access to digital assets in a compliant manner. Simply put, they are building the gateway to DeFi via a licensed crypto marketplace.

WonderFi will become one of the first, if not the first, tax compliant reporting DeFi apps on the market, offering investors relief from the tax headache of managing crypto trades and NFT transactions.

The company recently purchased Bitbuy, the first licensed and largest crypto exchange in Canada. The combined companies boast over 650,000 users. Shortly after that, WonderFi announced it had entered a definitive agreement to acquire Coinberry in a \$38.3 million all-stock deal.

Coinberry is a leading crypto asset trading platform and Canada's first pure-play licensed broker that will further increase WonderFi's user base to more than 750,000 users and add an asset that produced over \$13 million in revenue last year along with \$100 million in assets under custody.

As of the second quarter of 2022, WonderFi has begun generating revenue, so it will soon shake the pre-revenue moniker that can pin valuations to the floor. Additionally, it now boasts more than \$400 million in assets under custody. With no debt and \$40 million in cash and crypto assets, WonderFi can continue consolidating in Canada and other international markets in both the centralized and decentralized space.

With the support of big investors like Kevin O'Leary (Mr. Wonderful), Josh Reynolds (social media influencer), and Sam Bankman-Fried (Founder & CEO of FTX), WonderFi has been able to leverage these relationships to maintain a low customer user acquisition cost and become the largest player in Canada.

The Upsides and the Risks

Market potential sits around \$1 trillion for CeFi, DeFi, GameFi, and NFTs, with DeFi growing at 130% CAGR over the past three years and NFTs at 673%. The GameFi market is only beginning to blossom.

WonderFi is valued at \$133 per user vs. Coinbase at \$200 per user and Kraken at \$2500 per user. None of these companies possess DeFi, GameFi, or NFTs, which is 1.5 times as large as the CeFi market. This implies a 5x to 10x upside for WonderFi. Additionally, they've already been approached by four major Canadian financial institutions.

That said, despite having a centralized model, regulations around DeFi, GameFi, and NFTs could always take an unforeseen turn and impact business.

Furthermore, if crypto and/or NFTs were to crash and the trading volume dried up, WonderFi's growth would halt.

The competition in the space is priced significantly higher than WonderFi, a company with the potential to tap into all these markets as a competitor, some markets of which they are already present.

Coinbase touts a market cap nearing \$13 billion currently, even after a big market correction. OpenSea's valuation also sits around \$13.3 billion as of January 2022. NFT blue-chip Yuga Labs, known for its Bored Ape Yacht Club (BAYC), sits at \$4b after its last capital raise in March 2022.

The list goes on and on in the DeFi space and includes:

Kraken is sitting around \$10 billion, with reports that the company aims to raise its next round closer to \$20 billion. Metamask with a valuation of \$7 billion based on their March 2022 raise. Competitor Phantom Wallet holds a valuation of \$1.2 billion as of February 2022. Marketplaces OpenSea is valued at \$13.3 billion and LooksRare at \$7 billion as of January 2022, and Nifty Gateway is around \$1 billion, unofficially.

The Bottom Line

In the world of CeFi and DeFi, the race is on to acquire users. People tend to be sticky with what they know. WonderFi has a massive lead in the race, especially outside of the US, where it is dominating. With plenty of cash on the books and the ability to use equity, it can continue to acquire smaller competitors around the globe.

Regulation across the board will eventually hit all the markets WonderFi generates revenue, so having the experience of a centralized crypto marketplace should give them an advantage and allow them not to miss a beat. Furthermore, having CeFi and DeFi will enable them to cross-test products and gather data from their user base. Data could genuinely set them apart from many competitors.

